

MAR 21 1944

CREDIT

and Financial Management

Features in This Issue

**With Tax Bill Out of the Way, Congress Turns
to a Study of Baruch and George Plans for
Contract Settlements**

**An Economist Discusses Some of the Problems
Facing this Nation After "X" Day**

**A Manufacturer Tells Why He Thinks Free
Enterprise Is the Only Answer for American
Progress After the War Is Finished**

**What Is the Difference Between a "V" and a
"V-T" Loan? A Banker Answers This Question
and Tells How Such Loans Will Serve War
Contractors**

**Another Ol' Doc Nixie Story—He Sends the
Wrong Form Letter to a Good Account and
Gets into a Peck of Trouble**

MARCH 1944



Back the Attack - Buy More War Bonds

Strength

**UNITED STATES RESOURCES
AS OF DECEMBER 31, 1943**

Year Estab- lished		ADMITTED ASSETS	LIABILITIES	CAPITAL	SURPLUS TO POLICYHOLDERS (Includes Capital)	
					Annual Statement Basis	Market Values Dec. 31, 1943
1896	American & Foreign Insurance Company . . .	\$ 8,013,278	\$ 2,772,463	\$1,500,000	\$ 5,240,815	\$ 5,409,833
1863	The British & Foreign Ins. Co. Ltd.† . . .	5,406,754	2,931,285	500,000*	2,475,469	2,574,476
1911	Capital Fire Insurance Company of California . .	2,635,631	601,013	1,000,000	2,034,618	2,123,013
1922	Eagle Indemnity Company	12,351,683	9,851,683	1,000,000	2,500,000	2,849,148
1908	Federal Union Insurance Company	3,861,843	1,535,682	1,000,000	2,326,161	2,433,830
1911	Globe Indemnity Company	48,572,220	36,072,220	2,500,000	12,500,000	14,212,843
1836	The Liverpool & London & Globe Ins. Co. Ltd.† .	21,593,139	14,146,057	500,000*	7,447,082	7,930,284
1811	The Newark Fire Insurance Company	11,655,662	4,882,092	2,000,000	6,773,570	7,132,964
1891	Queen Insurance Company of America	26,879,713	13,402,657	5,000,000	13,477,056	14,247,644
1910	Royal Indemnity Company	44,631,676	34,631,676	2,500,000	10,000,000	11,710,254
1845	Royal Insurance Company, Ltd.†	24,958,854	14,689,208	500,000*	10,269,646	10,781,110
1924	The Seaboard Insurance Company	1,851,128	572,559	600,000	1,278,569	1,343,729
1896	Star Insurance Company of America	7,136,398	3,878,236	1,000,000	3,258,162	3,457,021
1860	Thames & Mersey Marine Insurance Co., Ltd.† .	3,528,949	1,899,131	500,000*	1,629,818	1,683,130

† U. S. Branch
* Statutory-Capital

*Admitted Assets of All Companies include
securities deposited as required by law.*

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ONE HUNDRED FIFTY WILLIAM STREET, NEW YORK, N. Y.

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Contents

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ESTABLISHED 1898

Conservation (Editorial) Henry H. Heimann 2

Two Proposals for Handling Contract Termination Settlements

The Baruch-Hancock Report on Post War Reconver-
sion with a Detailed Procedure for Settlement of
Terminated War Contracts

The George - Murray Bill proposing legislation
needed to handle Contract settlements
The two proposals compared 4

Problems of the Postwar Economy D. J. Steel Gow 8

Business Enterprise After the War Frederick V. Geier 12

Termination Financing Kenton R. Cravens 14

Ol' Doc Nixie Answers a Complaint and Gets an Idea,
J. T. O'Neill 17

84% of American Residences Now Have Electricity 18

News About Credit Matters 31-36

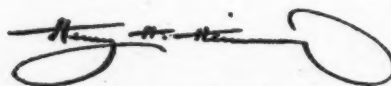
Conservation

U Most of the post-war plans it has been my privilege to read are conspicuously lacking in any definite conservation program. The planners, like so many of our people, fail to realize that unless a definite conservation program is launched, a century or two from now there will be nothing much left with which to execute the plans.

The natural resources of this nation are not inexhaustible. The toll the war is taking of our primary deposits should cause everyone to begin to take stock of what is left and, where possible, build anew not only for the generations to come but for the young people of the present age.

It is doubtful if in modern times any nation has had its natural resources used so prodigally as those of the United States. Soon there will be a day of judgment with its rude awakening that our primary resources are near exhaustion. Nature is kind when it is cared for but it is cruel and relentless when constantly abused.

In any post-war planning of both government and individuals a sound conservative program is a first necessity.



Henry H. Heimann



Property Protection in Wartime

As the time draws near when our armed forces face their supreme test in the mightiest invasion of history, any wartime effort on the home front seems small by comparison.

Nevertheless, the task of America's fighting men and her Allies is of such magnitude that every ounce of strength of mind and hand that we in this country can muster to their support in whatever way we can is necessary and imperative.

This is why the fire insurance industry has been and is now geared to war; why it is alert through its inspection and engineering facilities in protecting the nation's industrial plants which have amazed the world with their productive power.

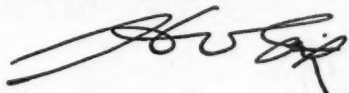
Through this vigilance, many disastrous fire losses have been prevented—losses which in wartime, when manpower and materials are so vital, would have been as damaging as enemy victories. Thus, in a real sense, watchfulness in fire prevention has meant a participation in the winning of the war by the "industry which protects other industries."

Meanwhile, the agents and brokers of the capital stock fire insurance business, as part of the Citizen Army, are a source of strength throughout the nation. By seeing to it that property is adequately insured, national morale is promoted, permitting greater concentration on the war effort.

Dollars for fire insurance premiums today are going in large part into U. S. Government Bonds, thus helping to bear the cost of war. This Company, for example, invested *all* of its new premium dollars during the last nine months of 1943 in War Bonds, in addition to its regular purchases of these securities.

★ ★ ★

In submitting herewith our annual statement we take pride in stating that more than 50% of the male employees of The Home Insurance Company are now with the armed forces.


President

★ THE HOME ★
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE

THE HOME, THROUGH ITS AGENTS AND BROKERS, IS AMERICA'S LEADING INSURANCE PROTECTOR OF AMERICAN HOMES AND THE HOMES OF AMERICAN INDUSTRY

STATEMENT

December 31, 1943

ADMITTED ASSETS

Cash in Office, Banks and Trust Companies	\$ 20,681,229.69
United States Government Bonds	27,406,591.91
All Other Bonds and Stocks	69,192,158.38
First Mortgage Loans	376,083.48
Real Estate	3,825,040.10
Agents' Balances, less than 90 days due	9,265,751.61
Reinsurance Recoverable on Paid Losses	1,286,831.00
Other Admitted Assets	73,214.65
Total Admitted Assets	\$132,106,900.82

LIABILITIES

Reserve for Unearned Premiums	\$ 49,199,317.00
Reserve for Losses	13,486,728.00
Reserve for Taxes	5,130,000.00
Reserve for Miscellaneous Accounts	1,005,540.16
Funds Held Under Reinsurance Treaties	38,176.37
Total Liabilities Except Capital \$	68,859,761.53
Capital	15,000,000.00
Surplus	48,247,139.29

Surplus as Regards Policyholders 63,247,139.29

Total \$132,106,900.82

Note: Bonds carried at \$3,528,921.20 amortized value and cash \$50,000.00 in the above statement are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. On the basis of actual December 31st market values, total Admitted Assets would be increased to \$135,422,810.53 and Surplus to Policyholders would be increased to \$66,563,049.00.

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A Comparison Between the Baruch and the George Committee Proposals for Settling Terminated Contracts

With Tax Bill Enacted Congress Turns to Post War Plans

CF In his August 15th *Monthly Business Review*, Henry H. Heimann said: "Every organization in the country that has the country's welfare at heart should give its thought and study to a fair and equitable termination procedure and the Government of the United States should recognize that this one item will play a major part in what our domestic conditions may be when the war has finally come to an end."

In October, 1943, the National Association of Credit Men went on record, after a careful study by a national committee, with a declaration in favor of certain basic principles of Termination Procedure. This declaration set forth five main points (see page 4, November, 1943, issue of CREDIT AND FINANCIAL MANAGEMENT) as to how industry should be helped in its transition from a war to a peacetime production basis. These points briefly stated were:

- (1) Contracting Agencies be empowered to negotiate final settlements.
- (2) Standard procedure for settlements by all Procurement Services.
- (3) Prompt payments after negotiation, with immediate partial payments as soon as amount of claims is established.
- (4) The Government should not settle with Sub-contractors as the Government does not have any contractual relationship in such cases.
- (5) Board of Appeals should be set up for making settlements where the contracting agents and the contractors cannot reach an agreement. Access to Arbitration should also be available, with an appeal available to the United States courts if agreement cannot then be reached.

Two Similar Plans

DEVELOPMENTS in Washington during the last two weeks of February seem to indicate that a plan covering all of these five points will be enacted shortly. First, the so-called Baruch report was published covering all of the NACM points in a detail that seems to be all-embracing. Then the Senate Post-War Planning Committee, under the chairmanship of Senator George of Georgia, announced a proposed bill (S. 1711) with which the George Committee hoped to provide a smooth and solid pavement for the return of industry to a peacetime basis. Either the Baruch report, which covered 151 printed pages in the usual form of Congressional pamphlet, or the bill proposed by the George committee seemed complete enough to cover most every situation, so it seems that industry

should note with interest the progress being made on this important subject and be hopeful that either one or the other plan or a compromise between the two plans will be adopted and put into action without further delay. Even if the war should not end in 1944, industry faces a tedious job in untangling the details of war production contracts so as to be ready to present their bills to Uncle Sam, receive their pay and turn to peacetime production. Both the Baruch report and the George committee bill would make it obligatory upon the Government to pay within 30 days after presentation of properly authenticated claims. But contractors cannot prepare their claims until and unless they know the procedure. As stated above, this plan of procedure now seems to be in the last stage of enactment.

The theme of the Baruch report and which is repeated at several places in the 151-page document is this sentence: "There is no need for a post-war depression." This theme is further developed with the declaration: "No plan can be better than its administration and no formula or law can supplant—or supply—good judgment." No one could find fault with such a thesis. The point of difference seems to be whether the reconversion of industry was to be directed through legislation by Congress as proposed by the George committee or by Executive Order, which is the plan Senator George said the Baruch report followed.

"The Senate Post-War Committee would do the job through an agency created by Congress which would be accountable to the Executive but would be required by Congress to carry out the broad general policies laid down by it," Senator George declared.

"The two reports sharply outline the question of whether the economic destiny of the country is to be settled by Executive directives or by general policies established by the elected representatives of the people. That issue is so basic that the two viewpoints can never be reconciled."

Merit in Both Plans

HOWEVER, after more thorough study of the Baruch report and the George committee plan, Congressional leaders seemed to swing around to the conclusion that both the Baruch report and the George proposal for legislation were striving to accomplish the same general purpose.

Having been announced during the turmoil over the veto of the tax bill, Senator George and his colleagues may have been influenced by the general reaction against the White House which seemed quite evident on the

Congressional end of Pennsylvania avenue. However, with the tax matter settled and hearings on the George-Murray bill started, it seemed that the general respect for Mr. Baruch would lead to a compromise, with industry benefiting in the long run. The *New York Journal of Commerce* in an editorial on Feb. 24, predicted such a compromise in the following words:

"The Murray-George Industrial Mobilization bill introduced in the Senate this week does not conflict with the Baruch-Hancock report in any really essential respect. The objectives are largely the same, although the organizational proposals differ.

"The chief difference is the provision in the bill to set up immediately an Office of Demobilization, with a Director and a National Demobilization Board. The Baruch-Hancock report, while not closing the door to the eventual establishment of a separate agency, urged that the Office of War Mobilization be retained as the top agency for the time being. But the Murray-George bill does specify that the new Office of Demobilization should be subordinate to the Director of War Mobilization so long as the war continues. Both plans call for collaboration of the demobilization agencies with a Joint Congressional Committee.

"The two Senators want immediate legislation laying down broad principles covering contract termination, surplus disposal and the solution of other reconversion problems. Messrs. Baruch and Hancock hold that it would be better to have more actual experience before policy is crystallized in handling these problems in legislation. Apart from this difference in approach, which is clearly not fundamental, the two plans are in basic agreement.

"The one danger is that an impression should develop that Congressional opposition makes the adoption of the Baruch proposal impractical. This could serve to open the door for advocates of more radical and venturesome reconversion policies within particular Government agencies, as well as for those who would turn over the leading role in reconversion to the armed services, to advance their own plans.

"Hearings on the Murray-George bill should bring out the close agreement that exists between it and the basic principles of the Baruch-Hancock report. If it is then found that enabling legislation is desirable, it should be enacted to assure that Congress is back of the sound principles that are found in both."

A Summary of Principal Features of George Committee Bill

THE committee print of this bill states as its objective:

"(a) to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;

"(b) to insure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing under such final settlement;

"(c) to insure uniformity among Government agencies in basic policies and administration with respect to such termination settlements and interim financing;

"(d) to use all practicable methods compatible with foregoing objectives to prevent improper payments and to detect and prosecute fraud."

Another rather positive declaration is contained in Section #2 which states:

"(a) To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the Act, the appropriate committee of the Senate and the House of Representatives shall study each report submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act."

The George Plan contemplates the establishment of an Office of Contract Settlement which shall be headed by the Director of Contract Settlement. There is also proposed a Contract Settlement Advisory Board which is to be composed of the Director, the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, Chairman of the Board of RFC, the Chairman of the War Production Board, the Chairman of the Board of Smaller War Plants Corporation and the Attorney General.

It is set forth in Section #6 of the George Bill—

"(a) It is the policy of the Government to insure to every war contractor fair compensation for the termination of any war contract, including reasonable expenses incident to termination and settlement, reasonable expenses of removing and storing materials, and such allowance for profit on the work done on the uncompleted part of the contract as is reasonable under the circumstances, plus interest on the termination claim in accordance with subsection (c) of this section. Where any war contract does not provide for such fair compensation at the time of its termination, the contracting agency, subject to regulations prescribed by the Director, shall amend such war contracts by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation."

Section (b) provides that any contracting agency may settle any termination claim by agreement and that such agreement shall be final and shall not be "reopened, annulled, modified, set aside or disregarded by any officer, employee, or agent of the United States, or in any suit, action, or proceeding, except for fraud." This section also provides that "where any such settlement is made by determination without agreement, it shall likewise be final and conclusive to the same extent, unless the war contractor appeals, submits to arbitration, or brings suit." Another section of the bill provides that the contractor may appeal to the Appeal Board, submit his claim to arbitration, or bring suit in the Court of Claims or in a United States District Court.

Another section provides that the Director shall prescribe policies to govern the settlement of the termination claim and how partial payments may be made to cover parts of the claims when presented.

Section #8 covers the matter of interim financing; Section #9, partial payments; Section #10, termination loans through any Federal Reserve Bank.

Section #11 requires the Government to provide the war contractors with notice of termination as far in advance of cessation of work as possible in order to provide protection for Government material and also for helping the re-planning of employment schedules.

Section #12 provides that it shall be the policy of the Government to remove from war contract plants all materials which relate to terminated war contracts so as to free the plant for peace production.

Section #13, as indicated above, provides for appeal and gives a procedure for making such appeal.

Section #14 authorizes the Court of Claims to appoint twenty additional commissioners especially to handle the claims arising out of terminated contracts.

Section #15 provides that no officer or other Government agent authorizing or approving a settlement of a terminated contract shall be personally liable for payment in the absence of fraud or bad faith on his part. This is the point on which there has been wide discussion, when considering termination settlement plans as under the present law the contracting agents are held personally responsible for settlements that might be made.

Section #16 sets forth that the General Accounting Office shall function only where fraud is discovered.

Sections #17, #18 and #19 cover defective contracts, records, forms and reports; preservation of records; and general provisions. Balance of the bill takes up technical applications of law to the new authority.

Summary of Baruch Report

THE Baruch report is divided into ten major divisions. The subjects covered in these divisions are:

- The Human Side
- Contract Settlements
- Surplus Property
- Over-All Controls
- Planning for "X" Day
- War Powers
- Cancellations
- Small Business
- Post War Tax Law
- Public Works.

The following is a summary of the recommendations as made in the Baruch report on these ten major subjects:

A. The Human Side

1. That the Government forces dealing with the human problems of demobilization be unified on two fronts—the executive and Congress.

2. On the executive side, creation in the Office of War Mobilization of the new post of "work director" to "see that the human side of demobilization is not forgotten."

3. This "work director" to be a man "of such outstanding caliber as to command the immediate confidence of the country."

4. This "work director" to work with Congress in the development of a combined program of legislation and operations "to carry out the objectives that all of us share."

5. Among the fields to be covered by this "work director"—personnel demobilization of the armed forces, developing adequate machinery for job placement of veterans and demobilized war workers; adequate care for returning veterans; physical and occupational therapy for wounded and disabled; resumption of educational therapy for wounded and disabled; resumption of education interrupted by war; vocational training; the special employment problems of the great war industries, and others.

6. That there be in each community, only one place to which returning servicemen and servicewomen need to go to learn all their rights and how to get them.

B. Contract Settlement

1. To assure quick cash pending settlement, a complete "financial kit" is assembled including:

A. Immediate payment—the full 100 per cent—for all completed articles.

B. On the uncompleted portion of the contract, immediate payment—the full 100 per cent—of the Government's estimate of "factual" items, where proof ordinarily is simple, such as direct labor or materials, and of other items on which the Government is able to satisfy itself, up to 90 per cent of the contractor's total estimated costs.

C. Immediate payment—the full 100 per cent—of settlements with subcontractors as soon as approved.

D. Payment by the Government of interest on termination claims, until settled.

E. As insurance against delays in validating claims, a new, simplified system of T (termination) loans by local banks, with Government guarantees, to be available to all war contractors, primes and subs.

F. For those unable to obtain such loans from their local banks in 30 days, the Government to make the loans directly.

G. Until the new T loans are authorized by Congress, extension of V and VT loans to all eligible borrowers.

H. Finally, for hardship cases unable to use any of the tools outlined above, expedited settlements.

2. Quick, fair and final settlement through negotiation by contractors and procurement agencies.

Review of Settlements

3. As a more effective safeguard of the public interest than the kind of review suggested by the Comptroller General:

A. Review powers of Comptroller General limited to fraud with every administrative aid for detecting fraud.

B. That all sizable settlements be made by teams of negotiators.

C. These teams to file written reports and keep full records of the bases of settlement.

D. Contractors to keep records for three years.

E. That the Comptroller General and the Attorney-General be added to the joint contract termination board.

F. Further administrative safeguards now under study.

JOINT TERMINATION BOARD

4. Establishment on an operating basis of a joint contract termination board within the Office of War

Mobilization, to unify procedures and policies of all agencies;

A. The Board Chairman to be a civilian, independent of any of the procurement agencies, answerable to the Director of War Mobilization.

B. This chairman to require progress reports from all agencies and to report regularly to Congress.

C. Also to maintain a running survey of the extent to which V and VT loans and the new loans are taken out.

D. To keep a constant eye on all aspects of contract settlement recommending any changes that become necessary.

E. The War Production Board be added to the joint contract board.

5. Spread acceptance by war contractors of the uniform termination article for fixed-price contracts.

SUBCONTRACTOR CLAIMS

6. Speed the handling of subcontractor claims:

A. The procurement agencies to be authorized by legislation to protect subcontractors in event of insolvency or default of their customers.

B. A standard termination article for subcontractors to be completed soon to supplement the uniform termination article for prime contractors.

C. A minimum figure to be set by the Director of War Mobilization below which "nuisance-sized" claims can be immediately validated with suitable safeguards.

D. Vigorous experiment with the so-called "company-sized" type of settlement, seeking a workable plan.

7. Schools to be set up around the country for training Government negotiators and contractor representatives in the same classrooms.

8. Prompt clearance of Government property from private plants not later than 60 days after the filing of inventory lists, the manufacturers having the right to remove and store the property earlier at their own risks.

9. This entire termination program to be put into effect by the agencies at once to the extent administratively possible.

10. Prompt Enactment of Legislation to make this program fully effective, including appropriate authority to permit company-wide settlements, to the extent found practicable.

C. Surplus Property

1. The Director of War Mobilization to name a Surplus Property Administrator in the Office of War Mobilization with full authority for handling every aspect of surplus disposal.

2. A Surplus Property Policy Board, the Administrator as chairman with full and final authority, and with these agencies represented: War, Navy, Treasury, Reconstruction Finance Corporation, Maritime Commission, War Production Board, Bureau of the Budget, the Food Administrator, the Attorney-General, Federal Works Agency, State Department and Foreign Economic Administration.

Major Outlets

3. Four Major Outlets to handle actual disposal, each in a clearly defined field, with no overlappings:

A. Consumer Goods to the Treasury Procurement Division.

B. Capital and Producer Goods, all types of industrial property, to a single corporation within the Reconstruction Finance Corporation, consolidating present RFC subsidiaries.

C. Ships and Maritime Property to the Maritime Commission.

D. Food to the Food Administrator.

4. All of the agencies, as well as any other agencies called upon to handle special disposal problems, to follow policies laid down by the Administrator in consultation with the Policy Board.

5. The Surplus Administrator to report to Congress as soon as possible on legislation needed, basing his recommendations on actual experience with the problem.

Basic Principles

6. Our own suggestions as to the broad policies that the Surplus Administrator may wish to follow are summed up in ten basic principles:

1. Sell as much as he can as early as he can without unduly disrupting normal trade.

2. Listen to pressure groups but act in the national interest.

3. No sales, no rentals to speculators; none to promoters.

4. Get fair market prices for the values with proceeds of all sales going to reduce the national debt.

5. Sell as in a goldfish bowl, with records always open to public inspection.

6. As far as practicable, use the same regular channels of trade that private business would in disposing of the particular properties.

7. No Government operation of surplus war plants in competition with private industry.

8. No monopoly; equal access to surpluses for all businesses; preference to local ownership, but no subsidizing of one part of the country against another.

9. Scrap what must be scrapped but no deliberate destruction of useful property.

10. Before selling surplus equipment abroad, assure America's own productive efficiency on which our high wages and high living standards rest.

7. The surplus administrator to be a man of proven executive capacity, business sagacity, unquestioned integrity, and great courage to fight off the selfish interests who will be seeking to exploit these surpluses.

8. The facts on all sales to be open to public inspection, with regular reports from each disposal agency to Congress.

9. All of the disposal agencies to make effective use of industry advisory committees.

10. The disposal agencies to lease as well as sell, to exchange properties, to sell on credit—but leasing must not become a hidden device for Government ownership or subsidies.

Civilian Help Now

11. The Army and the Navy to examine their inventories of the most critical civilian items to see what can be safely released during the war for the civilian economy without hurting the war.

12. Surplus administrator to study how to centralize the handling of real property; also, to explore the possibilities of beginning to liquidate Government holdings.

13. The closest cooperation between the War Production Board and the surplus administrator so that controls do not necessarily hinder disposition by unduly limiting potential buyers, particularly in assuring prompt disposal of small quantities of surplus materials.

14. The surplus administrator and the disposal agencies to have available to them in carrying out their

(Continued on page 24)

Problems of the Postwar Economy

Recognition of Need for a Peace Time Production Plan

CF Perhaps the first of the problems of the postwar economy to be considered is that of reaching some sort of general agreement that there will be many such problems. Chronic optimists even today don't believe that any problems exist capable of challenging our best economic thought and practice. They look back on the late depression period as a "stage" that we've outgrown. They contend that the war boom shows we've mastered the dilemma that faced us in the '30's, that what we can do in war we can do in peace and that we stand at the threshold of a predestined period of prosperity.

There's just enough truth in that view to make it seductive. We have proved, if it ever needed proving, that we have the engineering brains, the natural resources and the skilled manpower to turn out the good things of life in greater volume than we ever produced them in the past. Responsible business concerns have contributed to the optimism on this score with glowing predictions of new and improved consumer goods to come out of the factories after the war; of tear-drop autos, television sets, helicopters and labor-saving household appliances.

Purely Economic Problems

BUT it was not technology and natural resources that constituted our principal problems in recent decades, and they are not the chief problems of the future. The challenge of the postwar period is not for the draftsman but for the shaper of economic policy. The engineers can perform their wonders in the commercial field only within the framework of economic activity made possible by the policy-makers. Our technologists were just as ingenious

By **DR. J. STEELE GOW**

Director, Maurice and Laura Falk Foundation, Pittsburgh, Pa.



during the depression as before or since, but they were frustrated by an unresponsive market. The war dissipated this frustration by opening an almost unlimited market, by suspending in large part price regulation of production.

When the war ends, however, the old problems will return and the technologists will have to operate once more within the confines of a self-generating economy. Perhaps I can make this development more concrete by indicating the magnitude of the production increase occasioned by the war.

Since 1939 our gross national product has almost doubled. This gross product has been divided about equally between war and civilian markets (a monthly rate of about $7\frac{1}{2}$ billion dollars for each). That means that our civilian economy has been maintained at about its pre-war

level of value of production (despite changes in kind of product due to the war), while a wholly new economy has been built up alongside it—one approximately the same size.

Much Adjustment Required

THE half of our present economic activity catering to civilian demand is governed by a combination of administrative price controls and the usual inter-play of supply and demand. But the other half, that producing for war, recognizes no price problem. The price justified for weapons of war is whatever is necessary to bring out the physical maximum of production.

When hostilities cease, however, the war half of our economy will be without demand for its product. If these plants, machines and workers are to continue as part of the economic capital of the nation, they will have to adjust to the civilian market's system of price relationships. The war simply suspended the price factor for half of our economy, and when the war ends that portion of our economy will either stagnate or readjust to the new conditions. We will have back on our hands the old pre-war problem.

In contrast to the blithe optimists are the dour pessimists who can see no way of planning now for a postwar economy of abundance. They say that conditions after the war will be so different, that the nature of the problems are still so hazy that no intelligent action is possible now. They, too, have some truth on their side. The magnitude of the economic change wrought by the war does make past experience seem a rather inadequate guide.

But this is not to say that we can afford to delay formulating at least tentative policies for dealing

with future conditions. To a degree we already have begun economic demobilization. Some plants now are converting back to civilian production. Whole industries have not had to face that problem yet, but Philip Murray of the United Steelworkers apparently believes the day is near when the steel industry will have to face it, and has urged greater civilian production now to take up the slack. Other basic industries are at pretty much the same stage.

Policies to meet this problem need not be formulated blindly for, while the magnitude of the problem is unprecedented, its nature is not entirely so. The Brookings Institution recently reviewed the economic aftermath of the War of 1812, the Civil War and World War I, and found a more or less uniform pattern running through each of them. The pattern was something like this:

For about six months during the process of reconverting from war to civilian production, there was a moderate business recession. This was followed by rapid recovery and expansion, centering on consumer goods production and accompanied by rising prices. This replacement boom ended in a little more than a year in a collapse of prices and a short but relatively acute depression, which in turn was followed by a more or less long-term recovery trend.

Pattern Is Not Inevitable

I DON'T suppose anyone today believes so literally in economic determination as to suppose that such a pattern is inevitable. If it were, any policies we might formulate would be ineffective anyway. But it can be assumed that the direction of the economic forces at play after this war will be roughly the same as in the previous instances covered by the Brookings study. That will be the tendency, in other words, on which our policies must be brought to bear as modifying factors.

This tendency, though, must be qualified to take into account the probability that the current war will not end all at once, but in two stages. The preponderance of opinion now looks for a decision in Europe sometime in the second half of this year (1944), with victory over Japan coming a year or more later. It is expected that war expenditures will be

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Congress
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May 16-17-18**

cut in half when Germany is defeated. Although this graduated ending of the war will lessen the impact of demobilization at any one time, it will produce other problems of its own.

Even with this qualifying consideration in mind, it is reasonably safe to say that the end of merely the European phase of the war will tend to produce a period of hesitancy of some months' duration while reconversion is undertaken and workers are temporarily displaced, and that pent-up consumer demand will then take up production slack. But sometime later we will come up against the old problem of adjusting to an economy in which cost-price relationships again determine employment and production levels.

All of this suggests two natural groupings for specific problems to confront us. The first would include those arising from the task of reconverting industry from war to civilian production, while the second would include those arising from the necessity of achieving a long-term cost-price relationship capable of maintaining a satisfactory level of economic activity without outside stimulus of war or pent-up demand.

What I want to do is to outline briefly the problems in each group as a frame of reference for the remarks of the three speakers to follow me in this series. I have the comparatively easy job of asking the questions, while they must answer them.

Problems of Reconversion

THE first question in point of time will be cancellation of war contracts. By last October, the Army had cancelled 8 billion dollars worth of contracts, or more than all those that remained to be cancelled at the end of the last war—and that was

only a hint of what is to come. With at least half of our economy engaged in war production, an end to the fighting in Europe alone could knock the props from under our whole current economy.

Terms for cancellation are written into many contracts, but those terms apply only to the formal method to be followed and do not answer the larger question of policy, which has led businessmen to wonder whether any over-all policy exists or will be formulated in time to be of value.

Here as elsewhere there is a choice of answers based, on the one hand, on effecting immediate economy by minimizing government expenditures and, on the other hand, on achieving long-range economy through encouraging business stability. Contracts might be cancelled just as soon as the military necessity of getting the goods disappears, or the contracts might be carried along for some time to ease the shock and permit gradual transfer of workers back to civilian occupations.

Government Must Be Protected

WHICHEVER policy is followed, the government's expenditures will have to be protected by some check on contract settlements. Congress is studying this problem now. The Comptroller General as watchdog of the Treasury insists that it's his job to review each proposed settlement, but his office probably is not equipped to handle the tremendous volume of business that will follow the ending of the war, and speedy decisions will be economically essential. Consequently the Army, Navy and Maritime Commission want to make their own settlements. But some provisions for subsequent review still would be necessary and the National Planning Association has advised the creation of a central agency to handle this task.

Whatever the machinery for settling cancelled contracts, some method of providing working capital for firms with assets tied up in cancelled contracts will be called for. Besides a lump-sum tentative settlement on contracts this probably will mean special provision for business credits, a question you undoubtedly are more familiar with than I am.

When contracts are cancelled a lot of material will be in the process of

manufacture and a lot more will be completed but no longer needed for the war—in either case, ample cause for a real economic headache. Some of the material in the process of manufacture probably can be turned into other products with no great loss in value, but the rest will have to be removed from production channels as quickly as possible. And surplus finished goods will clog commercial channels until their disposition is decided.

Billions in Surplus Materials

IT has been estimated that there will be at the end of the war some 50 billion dollars worth of completed surplus materials. About half of this will be of the kind that can be transferred to the civilian market. And 25 billion dollars worth of material is equal to about six months retail purchases at the 1939 rate.

Unless this volume of goods is to disrupt trade disastrously, it must be eased into the civilian market under carefully formulated policies of sale.

The government will own at the end of the war not only materials but also extensive plants and a gigantic amount of equipment. Here is a problem to challenge us in a way unprecedented in other wars. The government has invested, through Jesse Jones' agencies, the Army, Navy, Maritime Commission, almost 15 billion dollars in plants and plant facilities. Total productive capacity of the country has been increased something like 25 per cent by government owned plants and equipment, and the situation in individual industries is even more startling. Aircraft manufacturing facilities owned by the government cost ten times the private investment in that field. The government owns 90 per cent of the domestic magnesium capacity, 100 per cent of the synthetic rubber capacity, more than half the aluminum capacity and such special enterprises as the Big Inch oil line. In the steel industry, for instance, the Defense Plants Corporation has spent one billion dollars and built 125 plants including the mammoth 100 million dollar works at Homestead.

Two Stages for the War

ALL of these facilities have been developed exclusively, or almost so, for war production and will have

to be converted to civilian production if they are to be of any further service. Disposal of such facilities to private owners, therefore, is a pressing problem and one that involves protecting the productive value to the public of the facilities built at the expense of established, competitive, private interests. Concerns operating these facilities under the government will have priority in acquiring them, but they as well as competitors and the general public have a right to demand that an over-all policy for disposal of such plants be clearly enunciated.

The likelihood that the war will end in two stages, while it eases the first shock, raises some problems of its own. It has been suggested that West Coast plants, being nearer the theater of war likely to continue longest, will be kept in war production after Eastern producers have been allowed to convert to peace production. This of course would put the Westerners at a grave disadvantage in securing their fair share of the postwar market. The question then would be to what extent will military interests override private interests in determining the geographic timetable of reconversion, clearly a matter requiring a broad policy statement. It has also been asked whether reconversion of entire plants will be allowed while others in the same industry are kept entirely on war production for a while longer, or whether partial reconversion of all competing plants will be allowed at the same time. Probably in many instances it will be inefficient to allow plants to reconvert by degrees, for engineering reasons; but to allow whole plants to reconvert while others are kept at war production will raise the problem of giving some firms the first chance at the pentup civilian market demand, at building up customer relationships while others are denied participation.

And what of the businesses which because of small size or other factors were unable either to participate in the war program or to get the material or manpower necessary to keep on at civilian production and so had to close down? What provisions if any are to be made for getting them back into the competitive market picture? Here, as in so many other instances, sources of credit will be a problem. The big businesses which were in a position to take the larger

part of the war contracts presumably are in a better financial position to reconvert than are many of the smaller firms whose problem is not reconversion but re-establishment of business. Will government credit agencies be called on to help out firms unable to secure adequate credits from private sources?

Priorities After the War

PERHAPS more pressing even will be the question of material priorities in reconversion. The companies which hold prime priorities by reason of their war production will be in a favorable position to make their voices heard in demanding priorities for material to be used in resuming civilian production, but what of the firms which have been driven temporarily out of the picture? On what basis will they be brought back into the fold of those to be considered for materials?

This problem of allocating materials for resumption of civilian production raises the question of competitive relationships not only between big and little firms within industries, but between whole industries. Surveys of postwar purchasing plans such as that conducted by *Fortune* magazine indicate that the automobile industry has the biggest immediate pent-up demand to fill. But is it entirely fair to follow only that criterion in allocating materials for resumption of civilian production? Some of the very industries that have the greatest pent-up demand to fill, such as automobiles, are those which may have to be kept in war production longest for military reasons, giving up some of their share of the purchasing pool to industries that can be allowed to cater to it sooner. There also will be many new industries, perhaps nothing so spectacular as backyard helicopters but certainly many new products, for which the prewar purchasing pattern or even present surveys of purchasing intentions, can furnish only a poor guide for allocating materials.

Reemployment—A Central Problem

THE problems I have thus far mentioned—contract termination and disposal of plants, products and materials—are important in their own right, but all of them take on added

significance when their bearing on postwar employment is considered. Moreover, other developments of the war period will have direct bearing on this problem. The first and greatest perhaps is the number of men in the armed forces who will be back looking for work and who have, by legislation, a claim on their old jobs. Another is the great migration of workers that has taken place to areas of war production which may not continue to be areas of high civilian production.

A loophole has been pointed out in the Selective Service law which stipulates that an employer is bound to take back a serviceman at his old job provided conditions have not greatly changed. In a manner of speaking, conditions have changed greatly for all business since the draft law went into operation. How broadly is the provision for reemployment to be interpreted and by whom? If local draft boards rule on the validity of a man's claim to reemployment, there are likely to be great differences of interpretation.

Government Stop-Gap Needed

THE problem of migration of workers involves also the problem of which plants are to be put into civilian production first. To keep concentration of workers employed it would be necessary to get into civilian production first those big plants that had been on war production, often to the detriment of small firms which were not on war work. Similarly, in disposing of plants built especially for war production, we may be inclined to put them into civilian production of some kind for which they are economically less efficient, just to provide work for the concentration of manpower they have built up during the war. The government's policy in disposing of its plants may take this into account. Behind this whole problem lies the question as to what extent the civilian production layout is to be made to conform to the distribution of workers as developed during the war and to what extent is it to follow the old peacetime pattern. To what extent are the jobs to go to the workers and to what extent the workers to the jobs? Probably some of both will be necessary.

Even assuming that private industry does all that it can reasonably

be expected to do in the way of providing job opportunities in this reconversion period, there almost certainly will be, for a time, an unemployment problem with which government policy will have to deal directly.

The Brookings Institution recently completed a survey of the probable conditions in the reconversion and the later reconstruction period which gives a pretty fair indication of the size of the re-employment problem. The survey calculated that more than 5 million "emergency" workers will step out of the competition for jobs after the war—mostly housewives, young men who have not completed their education, and older persons who are eligible for retirement benefits—and that 1½ million will be kept in the armed forces. On this basis, it predicted that new jobs over and above those that existed in 1940, will have to be created for 8 million workers in order to hold unemployment to reasonable levels, estimated at between 4 and 5 millions.

The Brookings study expects the situation to develop something like this:

Discharge from the armed forces will be gradual, partly because of the difference in time expected for winding up the war with Germany and that with Japan and partly because of deliberate government policy of easing men back into the employment competition. Eventually, however, about 9½ millions will be released from the military services, along with 1.4 millions from government war agencies and 6.9 millions from munitions industries—a total of 17,800,000. Combining the military services, government agencies and munitions industries, it is expected that 6.4 million will be released for re-employment in the first 12 months after the European war ends, another 6.9 million in the first 6 months after victory in Asia, 2.5 million in the second 6 months and 2 million in the third 6 months.

It is hoped that private industry will be ready to absorb all but the 5.1 million assumed ready to leave the employment field after the war and the 4 to 5 million considered a manageable level of unemployment. To achieve this expansion of job opportunities over 1940 levels would probably mean an expansion something like this:

- 2.4 million more in manufacturing
- 1.6 million more in construction
- 1.5 million more in military services
- 1.0 million more in farming
- 500 thousand more in trade and finance
- 400 thousand more in transportation
- 200 thousand more in public utilities
- 100 thousand more in mining
- 200 thousand more in miscellaneous

The problems I've mentioned so far are ones that will arise during the reconversion period; but all of them, or rather the solutions we adopt for them, will have an influence in the later reconstruction period as well. This is especially true of the disposition made of government owned property, because that property can become a major factor in long-term competition. Less directly, the sale of surplus materials and the settlements made on cancelled contracts will influence long-run economic conditions by determining to some extent the price policies and financial solvency of business concerns. The same holds true for the provisions made for displaced workers, since they constitute a substantial part of the consuming public for which business will be producing.

Government Problems of Reconstruction

BUT there are other problems more clearly of a long-range nature, problems that will press on us principally in the reconstruction period when the national economy tries to maintain prosperity through generating its own market without the outside stimulus either of war or deferred demand. The fact that these problems are long-run ones and will confront us later does not mean that their solution can be deferred entirely until more immediate problems are taken care of. The decisions have to be made early or we will drift to the point where conscious shaping of a policy will be most difficult if not impossible. This, I think, is clearly implied in the nature of the problems.

The most obvious problem, I suppose
(Continued on Page 20)

Business Enterprise After the War

Which Industries Will Be Leaders

C Our first job is to win this war and then take up the problems that come after victory. Your group is particularly conversant with the problems of business enterprise after the war. You have your fingers on the pulse of business and the economic life of the people. Who is better qualified to test and know the vitality of the business health of the nation? Who is more interested in the invigoration of that life and that vitality?

In the decade of the 1930's, the economic health of America was distinctly below par. Unemployment was a persistent and critical problem. Output of goods for the people to consume failed to reach the levels of the previous decade. The machinery of manufacturing industry became obsolete to the extent that over 70% of installed equipment was over 10 years old. As a people we fall short of keeping up-to-date the physical plant of the nation, its buildings, structures, equipment and facilities, by upward of \$50 billion, making no allowance whatever for growth of the population.

In the decade 1919-1929, while the number of industrial establishments remained about the same, the value of industrial production increased 13% to reach \$70 billion. In the decade of the 30's, however, the number of industrial establishments decreased by 26,480, a decline of 12%, and industrial output dropped over \$13 billion, a loss of 19%. For Cincinnati, the decade of the 30's showed a loss of 456 establishments, or more than one in every four, while output dropped 17%. Does this indicate the healthy kind of economic conditions we need, particularly when we think back to the century and a half of vigorous growth that made America great, that made American progress the wonder of the world?

By **FREDERICK V. GEIER**

President of the Cincinnati Milling Machine Co.



We Must Still Face Facts

WE may well ask whether America in the 1930's was facing the economic facts of life in a realistic and practical way. Today, even while the nation is pouring its whole effort into the war, we know that when victory is won we shall abruptly face the unsolved problems of the 30's, many times magnified by wartime dislocations and wartime measures of control. We face the rebuilding of a new peacetime America.

What kind of America will that be? Can we produce a greater total of peacetime goods and services than before? Can we provide productive peacetime employment for more people than before? Can we build a greater peacetime home market for more Americans to buy and enjoy more goods than ever before? American industry says the answer is "yes"—and it has set a peacetime goal—for 42 billion dollars more national production and 9 million more

people productively employed than in 1940.

Here is a goal for America, and this is the goal of the Committee for Economic Development. This goal has been carried to 1000 communities where industry is at work planning and preparing for the days after victory.

Here is a great challenge and a test for private enterprise. Here is the greatest task and opportunity business has ever faced! We must find a way to create productive jobs for 9 million more than were employed in 1940.

You and I believe in private enterprise with the emphasis on enterprise. We believe in individual initiative with the emphasis on initiative. For a decade we have heard the cry, "There are no more frontiers, we have overproduced; America is built." And that would be true, unless we can demonstrate that the spirit of American initiative is alive, and vigorously at work to build a new America.

Enterprise Is Quite Alive

BUT that spirit of initiative and enterprise is very much alive. Technical advance, industrial research and developments are proceeding apace. In a recent survey of an intelligent, well-informed group, the six industries considered as most likely to contribute most to progress, employment and the general welfare of America during the next decade were Aviation and Radio-Electronics at the head of the list, followed by Plastics, Housing, Alloys and Metallurgy, and Food Processing. But beyond these the history of the many new developments in the recent past reminds us that many vitally important developments will come in quite unexpected, unimagined fields.

Planning in industry for after the war is already producing promising

results. Some of the leading companies in the country have announced programs for new products and enlarged employment after the war. A number of firms right here in Cincinnati have definite plans for more business and more employment in the postwar period.

But these plans will not succeed as they should and as they must if we are to attain the goal of 9 million more employed and \$42 billion more national output, unless the obstacles and hindrances to a healthy economic life are cleared away. Private enterprise and initiative do not ask for special consideration, help or subsidy of any kind, but they are entitled to and, in the national interest, should receive a green light and a clear track to go forward on their own power to build up a greater national output and a greater total employment.

The C. E. D. fully recognizes that it is not possible to grow more employment and production without a healthy economic climate. The C.E.D. Research Committee, composed of such men as Ralph E. Flanders, Chester C. Davis, Eric Johnston, Beardsley Ruml, and Thomas W. Lamont, has assigned to a group of independent economists the task of studying the problems of postwar reconversion and expansion, the removal of the deterrents to business enterprise, as well as governmental tax and fiscal policies. As an example of the latter, you will recall the Report of the Brookings Institution just released, which points out the adverse effect on new enterprise and employment, of the tax policies imposed during the past decade, and the necessity to reverse the policy of discriminating in the tax structure against equity capital and its investment in developing new business and employment opportunities.

Must Modify Policies

IT is believed that when these impartial research reports are completed and published and it becomes clear to all that certain policies and practices stand in the way of greater employment, greater output and a higher standard of living for America, then those policies and practices will have to be faced realistically and abandoned or modified in the interest of the good of all the people who

WAR CREDIT CONGRESS (49th Annual)

in

OMAHA ON MAY 16th, 17th and 18th
A Three-Day Conference on the Credit,
Financial and Legislative Problems
of Industry in a War Economy.
One full day devoted to sessions
of 26 Industry Credit Groups

are entitled to have their economic system function in a sound and healthy manner. The C. E. D. states this very simply—What is best for the people as a whole, in the long run is best for business, too.

As credit men you are interested in the buying power and financial condition of your customers, whether individuals or firms. You are vitally interested in the constant springing up of new enterprise that will succeed and develop into good customers, good providers of productive jobs and good producers of goods and services that people want. And you are equally interested in the vitality and growth of existing firms. You are very much concerned, not only with their financial position at the moment, but with the vitality and vigor that underlies it, that determines the credit strength in days to come. You will want to know if a firm is alert to its postwar opportunities and responsibilities, if it is going through a frank and searching process of self-analysis, to improve its product and its service, to broaden its markets, to improve its methods and lower manufacturing cost, to make sound plans for building up its business, its employment, and its general contribution to a higher standard of living for the nation. For Ameri-

can business today faces the most worthwhile goal, the most attractive opportunity to be found anywhere on this earth.

How Big Will Be Our Market?

ON such chart you see the outline of America, the market in which your firm must make its living. On the average in the 1930's you were doing business in a \$75 billion market, and only in the year 1940 did this market reach the \$100 billion level. How much would it mean to your firm if it could move into a new market of \$142 billion, a market \$40 billion greater than the best prewar year and about double the average market of the 30's. For that is just what the goal of the C. E. D. is, a tremendous opportunity which can be attained if we create it by our united efforts.

The thinking and planning you and I and business men of America do today and tomorrow and next week are the indispensable first steps toward turning that goal for America into an accomplished fact, toward building a solid, new high standard of living for our people, to prove once again to all the world the strength, the genius and the leadership of the American nation.

Termination Financing

A Banker Reviews Procedure of V and V-J Loans

OF The inevitable legacy of total war is an enormous demobilization and reconversion problem. Total war is a grim testator. Our future, and the future of generations to come, literally depends on our administration of this legacy—on our finding the correct solution to this problem. Reconversion and postwar employment are wholly dependent upon the use of working capital now employed in war production.

The productive capacity of American industry is largely engaged in the production of war goods, directly or indirectly. The astronomical statistics involved covering this activity provide a statistician's paradise. War production commitments outstanding approximate *one hundred billion dollars*. One out of every three Americans is employed in war production. Clearly then, the task of converting this gigantic war economy to a peace economy will tax our mightiest effort. Planning for it now is essential, and such planning should be considered a war measure and not in any sense an indication that there will be an early end of the war.

We have already cancelled many more contracts in number and amount than we did throughout and at the end of World War I. Surely then, when peace comes a large percentage of the contracts then outstanding will be cancelled. Speedy and an equitable settlement of these terminated contracts is absolutely essential. Any unnecessary delay in the transition from war to peace will have such far reaching repercussions that the ultimate effects would be almost beyond estimation. The immediate results would most certainly include a disastrous business depression and mass unemployment.

Possibly Many Millions

THIS unemployment figure could, theoretically, reach forty million people in addition to the majority of

By **KENTON R. CRAVENS**

Vice-President, Mercantile-Commerce Bank & Trust Co., St. Louis, Mo.

the ten million men and women who will be released from military service quite rapidly at the end of the war. But even considering the adjustment of this figure downward because of the irregularity of employment of many, it still could result in disastrous mass unemployment. We certainly could expect a chaotic internal situation and social distress with continued increase in Government debt due to relief outlays. Our democratic form of Government would certainly be threatened, and in any event the combined result of this internal situation would result in the loss of this nation's leadership in world affairs.

We can not and must not fail. The subject of this discussion "Termination Financing" goes to the very heart of our problem. To properly appraise the enormity of this financing problem, we had best examine the present war production contract situation. Competent authorities place the number of contracts outstanding after eliminating all of the inconsequential unrelated contracts, such as railroad tickets, etc., at about one hundred thousand for prime contracts and about one million for sub-contracts. These one million one hundred thousand contracts of relatively important nature are held by approximately ninety thousand contractors, of which about three thousand hold the vast majority. The complexity of these contractual relationships is almost beyond description. We have, first, prime contractors, and tiers and tiers of sub-contractors. Most every prime contractor is a substantial sub-contractor and may be a part of many of the lower tiers in this group. It is well to consider this complexity before recommending that the Government deal *horizontally* rather than *vertically* with the sub-contractor.

Cancellations to Date

THE President recently stated that our cancellations to date had already been some twelve billion dollars. The most interesting case is the cancellation of a two hundred million dollar tank contract held by the International Harvester Company in Chicago. This termination affected the tank plant of the International Harvester Company as well as eleven other plants of the company. About 500 sub-contractors and 1500 additional suppliers were involved.

While this volume of cancellation seems impressive, its impact has been cushioned by a substantial volume of new contracts, and accordingly, these contract replacements distort the experience gained to date by the procurement agencies. New orders have most certainly contributed to the delinquency of the contractors in filing claims which has been most troublesome to date. Negotiated settlements, partial payments have been slowed down because of the personal responsibility of the contracting officer settling the claim. The fact that there is no finality at present and the lack of uniformity in termination clauses has also hampered the speed in the settlement of terminated contracts. On the other hand, the continuance of full war production has minimized the problem of removal and disposition of property in connection with terminated contracts, and accordingly, has expedited contract settlements.

Settlement of Terminated Contract Studies

THE problem of final settlement of terminated contracts is certainly in the limelight, and it is comforting to see the careful studies that are being made of its attendant problems from so many directions. If my memory serves me correctly, there are more than a dozen committees in congress, directly or indirectly studying some phase of this problem. Scores of

different legislative proposals are under discussion. Mr. Baruch is in charge of a special unit in the office of War Mobilization to deal with War and Postwar Adjustment Problems, and Mr. Hancock, his associate is chairman of a joint contract termination board which has been established, composed of the Under Secretaries of the War Department and the Navy Department, the chairman of the Maritime Commission and representatives of the Treasury Department, Reconstruction Finance Corporation and the Foreign Economic Administration.

For more than a year and a half, the various war procurement agencies, such as the War Department and Navy Department and Maritime Commission have been working on a uniform termination article for fixed price supply contracts, and generally studying the overall problem of final settlement. In addition to this, we have had many other Government agencies giving this problem their attention, as well as scores of committees of industry, associations, etc. In this connection, our own Chamber of Commerce is carrying on fine work in this direction and have scheduled a meeting for the 24th of this month at the Jefferson Hotel to study this situation, which discussion will be led by appropriate officers of the Army and the Navy.

Aspects of Termination Problem

THE contract termination problem is three-fold: First and of paramount importance is the use of a uniform termination article supplemented by uniform policies with respect to allowable costs for fixed price supply contracts by all of the procurement agencies. The uniform termination article is now a reality. On January 8, the Director of War Mobilization issued a directive to all procurement agencies, making immediately effective the uniform termination article as recommended by Mr. Baruch and Mr. Hancock. This termination article is to be used to the fullest extent practicable in all new war contracts and contractors shall be given the opportunity of having the article included in existent contracts.

While most of you are undoubtedly familiar with this new uniform termination article, I will briefly review its provisions since it has such an important bearing on the subject of this

Revisions in Renegotiation Law as Passed in Tax Bill

The new Federal Tax bill which became a law when the Congress overrode the veto of President Roosevelt contains a number of important revisions in the Renegotiation statute. A review of these changes will be found on page 36 in this issue.

discussion. Very briefly, it provides as follows: The Government may terminate the contract at any time by giving notice under the Article; and, in any general termination of contracts, cannot take advantage of minor defaults as the basis for termination, but must use the procedure under the Article. When the contractor receives notice of termination, he must stop work and the placing of further sub-contracts, must terminate and settle existing sub-contracts, and must transfer title to property acquired for the contract as directed by the contracting officer. The contractor and the Government will attempt to negotiate a fair and reasonable settlement. Failing this, a formula provides for reimbursement to the contractor, including (a) payment for completed articles at the contract rate; (b) the costs of the contractor with respect to the uncompleted work, plus a profit on those costs of not more than 2% on unprocessed inventory and a higher percentage on work in process (to be fixed by the procurement agencies at a fair rate) but the aggregate profit not to exceed 6% of the total of such costs; (c) the costs of settling sub-contracts and purchase orders; and (d) the costs of protecting Government property and of making settlement. Provision is made for offsetting indebtedness of the contractor to the Government against payments due to him under the contract, and for withholding payments from him to the extent that he has not settled with his sub-contractors.

If the contract is only partially terminated, the price of the continued portion may be equitably adjusted. Partial payments and payments on

account are to be made whenever the contracting officer believes them to be within the amounts to which the contractor will be entitled. The last paragraph of the Article refers to the "Statement of Principles for Determination of Costs upon Termination of Government Fixed Price Supply Contracts Approved by the Joint Contract Termination Board, December 31, 1943."

Disposition of Property

THE second general phase of this problem relates to the removal and disposition of property. To my knowledge, no established program has yet been announced, but a study of the various bills under discussion in Congress and other proposals under study by appropriate committees would indicate that there will be some plan embodying the following principles: (1) Immediate reporting by contractor to Government of inventories; (2) An obligation on behalf of the Government to remove property so reported promptly and at least within 60 days from notice; (3) The avoidance of improper and improvident sales through the establishment of a director of contract termination settlement or through some central agency.

Finally the third phase is the problem of termination financing. The groups I have previously mentioned along with the Federal Advisory Council of the Federal Reserve System have formulated some very definite conclusions as to the various aspects of the termination financing problem.

On the whole, they seem constructive and reasonably adequate. If properly translated into speedy legis-

lation, we will have taken the first vital and successful step towards the overall solution of this problem—its administration would then be the next. Those conclusions and recommendations on which there seems to be general agreement which cover the overall problem and are directly related to termination financing might be best summarized as follows:

1. That war contracts which are terminated must be settled and settled promptly and finally by negotiated agreements between the contractor and the procuring agency of the Government which negotiated the original contract.

2. That settlements so negotiated should be final and not subject to review by any other agency except for fraud. Any amounts that might conceivably be saved the Government through a post-audit will fade into insignificance in comparison with grants for relief that will be necessitated by resulting delay, uncertainty, and unemployment.

3. That representatives of the procuring agencies who negotiate settlements or who make disbursements thereunder must not be financially liable for action taken by them in good faith.

4. That partial payments be utilized to the fullest extent possible to speedily get funds in the hands of the contractor.

5. That even with simple and speedy procedures, the settlement of terminated contracts for the production of war supplies will inevitably require a considerable period of time. Therefore, it is vital to the maintenance of our industrial economy that some means be found to insure that contractors, sub-contractors and suppliers of any tier engaged in war production get cash promptly upon termination of their contracts, to release their working capital from war inventories and receivables, to take care of their obligations to sub-contractors and suppliers in the tier immediately below them, and to permit them to return to peacetime business. To this end congress should enact legislation providing more adequate means of interim financing pending final settlement and payment.

6. That interest should be allowed on termination claims under contracts terminated otherwise than for default, as a matter of fairness to contractors and sub-contractors during inevitable

delays in settlement and to permit and encourage contractors to borrow from private sources in order to finance themselves during the settlement period.

Prompt Settlement of Terminated Contracts

BEFORE discussing the means that are presently available to provide interim financing in the case of terminated contracts, or to protect working capital in the event of sudden termination of hostilities and overnight cancellation, let us see what the future holds for us.

An accurate appraisal in this respect may properly have an important bearing on the present day financial management policies of war production industries. It is my considered opinion that adequate legislation will be enacted in the not too far distant future, embodying most of the principles previously discussed on which I stated there was general agreement. Of course, as I have already said, this is just the first step and from then on, our future depends on such policies being wisely and efficiently administered. Here again I am optimistic because plans now under discussion call for proper and adequate schooling of contracting officers and representatives of industry. Assuming both of these prognostications and hopes become realities, it is very apparent that no matter what policies are put into effect with respect to partial payments, the interim loan is the one major vehicle to pipe money into the sub-contractor's hands.

War Production Loans and Interim Financing

TODAY there are three types of loans available to war production contractors through lending institutions guaranteed by the Government which will partially or wholly protect the contractor's working capital in the event of termination of his war production contracts. They may be referred to as the V-Loan with a "T twist"; the regular VT-Loan; and the T-Loan. Since we are only concerned in this discussion with termination financing and not production financing, we will limit the V-Loan discussion to the "T twist." The "T twist" in a V-Loan is accomplished by broadening the borrowing formula to permit borrowing against

cancelled contracts as well as uncanceled, and to permit the use of proceeds for the replenishing of working capital. If a substantial portion of the credit is to be so used, that is, used for the replenishing of working capital in the event of termination, then the loan becomes a VT-Loan.

The War Department has done a magnificent job in promoting and permitting the use of the VT-Loan and many of the nation's largest corporations have protected themselves through the use of this type of loan. The Navy Department, on the other hand, has been most recalcitrant in its attitude towards VT-Loans, especially with respect to small business, and accordingly, the program has been of little benefit to Navy contractors. The Maritime Commission has refused to guarantee any VT-Loans in spite of public announcement to the contrary. The true VT-Loan provides for a lending institution, such as a bank, making a commitment to lend the contractor up to a stipulated sum usually based on formulas involving a percentage of the contractor's accounts receivable, inventory, work in process, and termination claims of sub-contractors. Such funds within the limitations of the formulas would be available for working capital purposes and for termination purposes, but the contractor would not be obligated to borrow for working capital purposes. In the event of cancellation for the convenience of the Government, the portion of the loan relating to such cancellation has its maturity suspended. The interest thereafter on the suspended portion is paid by the Government.

What Is a T-Loan?

THE T-Loan is simply a commitment of a lending institution to loan the contractor funds to replenish working capital invested in inventories, receivables, work in process and outlays for sub-contractors' termination claims in the event the contractor's war production contracts are cancelled, and the Government commits itself to guarantee any such loans. Some have questioned the power of the Government to make such commitments for guaranteeing loans to be made after cancellation, but now at least the Army and Navy state that they will issue such com-

(Continued on Page 27)

Ol' Doc Nixie Answers a Complaint and Gets an Idea

By J. T. O'NEILL

Credit and Collection Manager,
West Publishing Company,
St. Paul, Minn.

OF The day had started off wrong. Doc had not heard the alarm clock. Breakfast was cold when he got downstairs. The boy was late in delivering the morning paper. And, as a climax—the family bus would not start—somebody had left the radio turned on all night (probably Doc himself).

Any way, he was all out of sorts when he arrived late at his office. As he said to himself, "This is going to be one of those days when everything goes wrong."

Doc was psychic, and sure enough the special delivery letter on the top of his mail read—

"You say you are going to draw on me in ten days. You have annoyed me to death about the account of \$118.00. I have dealt with your outfit for fifteen years, and if you send me another letter, it will be returned. Check will be forwarded on the first and that will permanently close my account with you.

F. H. Perkins."

The urgent tone of the head bookkeeper's buzzer indicated trouble in Doc's office. He found Ol' Doc struggling to be calm as he demanded, "Bring me the account of F. H. Perkins."

Glancing at the history it was quickly noted that a new clerk had sent the wrong form letter—an "A-8" (with a notice of draft) instead of a "B-8" (a pleasant friendly reminder). A simple clerical error had occurred, but Perkins was mad as a hatter. He had to be answered—convinced—persuaded—brought back.

Ol' Doc Had a Method

MOST folks, when they answer such a complaint, do it in one of two ways: (a) Argue back and try to justify—usually adding fuel to the flames. (b) Make a long-winded ex-

Previous articles were: "Wanted—A Creditman Who Is a Salesman," "Ol' Doc Nixie Takes to the Road," "Ol' Doc Nixie as a Correspondent."

planatory reply totally lacking in conviction and contrition—and seldom putting out the fire.

Our Ol' Doc was of the opinion that when a customer got all heated up over an error that the reply must be maintained in the same exciting, aroused, indignant tone. Get mad at the error—acclaim the seriousness of it—agree heartily with the customer's wounded feelings—apologize abjectly and sincerely—guarantee the mistake cannot and will not happen again.

Old John Wanamaker in his early days had the idea. He would promise Mrs. Goldbags that the clerk, in error, had been fired. Of course, John simply transferred the clerk to another department, but Mrs. Goldbags was made to feel important and would trade with no other company.

A complaint is caused by ego outraged. A minor operation will not suffice. The complaint handler is a most important "doctor" in every concern and he must know and study his business.

Doc always lit a good cigar when he tried to bring a customer back into the fold. Come to think of it, Doc was a temperamental fellow himself. That was evidenced on this very morning when his day had started off wrong. In fact, Doc often said, "Most complaints arise from a fellow who has just received a big batch of first of the month bills or his wife has overdrawn his bank account or there was something wrong in the punch the night before. The mistake

is made that the complainant is going to stay upset. He seldom does if handled right.

Blueprint of His Reply

SO Doc, now puffing on his cigar, jotted down the framework of his reply—Ack. and sympathize. The apology. How we guard against errors. What happened. Put the incident behind us.

It was typical of Doc to blueprint every reply before dictating (not a bad idea) and in a minute he was ready for his little secretary to record—

Mr. F. H. Perkins

York

Pa.

Dear Mr. Perkins:

We have carefully read your letter of the 4th, and we do not blame you one bit for feeling the way you do. We would feel exactly the same if our positions were reversed.

An inexcusably dumb clerical error occurred. We deplore it very much and tender our sincere apology.

We are careful whom we employ. We train them well. We pay them well, but in spite of that and all other precautions, an unfortunate error will creep in. What hurts most is that it seems to usually happen to a customer whom we are especially anxious to serve and please.

A new clerk (guess everybody has a lot of them these days) sent a form letter to you intended for an entirely different class of customers. The simple impersonal reminder you should have received is attached.

You have dealt with us liberally and fairly for over fifteen years, and the manner in which you have handled your account has been eminently satisfactory

to us. This is the first seeming misunderstanding in our long relationship, and you are assured it was 100% unintentional.

We are having the records of your account set ahead sixty days, and we will see to it hereafter that you are only billed every three months, thus avoiding unnecessary statements and reminders. Again—OUR SINCEREST APOLOGIES and may we have a word back that this unfortunate incident is placed behind us?

Your friends,
P. H. Butterworth & Company

Good Will in Credits

OLD Perkins must have been the average good fellow who does not stay angry, as he replied by the next mail—"The incident is behind us. I should not have blown off, as we make mistakes too. Cheerio."

But Doc lay awake that night pondering the question—why do customers oftentimes seem to be so quick on the trigger with Credit and Collection Departments—is it because money is involved—or is it because good-will seems to only flow to salesmen and Sales Departments? How can a Credit Department build good-will in addition to its friendly letters and helpful sympathetic policies? Is there anything that can be added to help put the Credit Department on the map, so when a customer thinks of that Department, he will SMILE instead of frown? Is it impossible?

It was about 1 A.M. when Doc turned on the bed light—jotted down the word "Remembrance" on the pad next to his bed and added in his inimitable scrawl, "Why shouldn't Credit Departments have a distinct, unique departmental remembrance to give customers? Something they really prize. Salesmen and Sales De-

partments seem to be practically giving away a good portion of the business in remembrances, gifts and souvenirs for themselves and their Department. Yet, who is in need of more pleasant, joyous, agreeable contacts with customers than credit and collection people?"

How Ol' Doc selected a very distinctive free and useful remembrance to give customers from the Credit Department—what he selected—how it was used—how it brought much good-will—many orders—how he used it in an unique Christmas letter that surprisingly brought in gift boxes of oranges, cigars, etc.—all this may be the subject of another article, if Doc ever gets time from his income tax blanks and the four pages of instructions to write it. Right now he claims he can understand the tax blanks but he can not make head or tail out of the four pages of instructions!

84% of American Residences Now Have Electricity, Survey Shows

EN More than 84 per cent of the people of the United States now live in electrically lighted homes and the facts point strongly to the continued extension of both private and public electric power, although "there is no conclusive evidence that private enterprise is more or less efficient than public enterprise."

These findings are included in a survey of *The Power Industry and the Public Interest* soon to be issued by The Twentieth Century Fund. The report is a condensation written by Edward E. Hunt on the basis of a factual survey by Dr. Arthur R. Burns as research director with Walter E. Caine as his assistant. Certain advance portions of the survey were made public early in February by Evans Clark, Executive Director of the Fund.

Emphasizing the enormous growth of the electric power industry, Mr. Hunt's summary points out that "from 1902 to 1940 the capacity of electric generators for public sale increased about thirty-five times, electric output about fifty-eight times,

and the revenues of the industry about twenty-nine times." At the end of that period, according to the research findings, "84 per cent of the population of the United States lived in electrically lighted homes. Of the homes wired for electricity, 95 per cent had electric irons, 63 per cent refrigerators, 54 per cent clocks, 49 per cent vacuum cleaners and 35 per cent coffee percolators." The industry as a whole had greater net capital assets than any other industry in America, except railroads.

War Brings More Capacity

SINCE America's defense program began in 1940 and was later greatly increased after Pearl Harbor and our actual entry into the war, there have been substantial increases in total electric power capacity of the country. Exact figures on these increases are not given out for reasons of military security. However, the Fund's summary, in looking toward our postwar future says, "An industrial nation needs a coordinated power system both in war and in peace. Our national life depends in-

creasingly on a reliable and economical supply of electric power.

"The power facilities of the United States at present make up a national power system which is partly public and partly private. Each may act as a healthy check upon, but should not be allowed to hinder, the other."

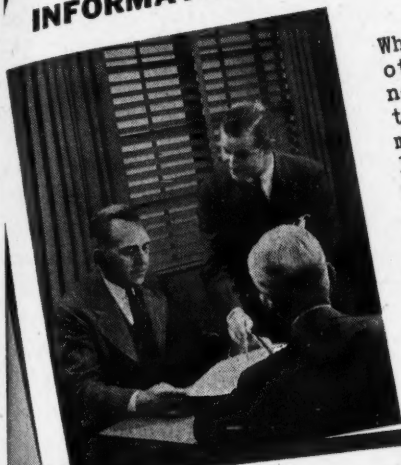
As between the two systems, the facts disclosed in the Fund's summary did not offer any conclusive evidence that private enterprise is more or less efficient than public enterprise. "The profit motive may result in low costs if full advantage is taken of the possibilities of increasing consumption by low rates. On the other hand, private companies when handicapped by heavy financial burdens have been reluctant to take the risk of lowering rates because of the high ratio of their overhead to total costs.

Costs Compare Favorably

"THE shortcomings in the accounting practices of both municipal and private utilities have constantly hampered investigators who attempt to appraise their relative op-

(Continued on Page 28)

INFORMATION SERVICE



When new legislation or other developments create new accounting problems, the mechanized accounting methods library in your local Burroughs office may be of assistance to you. Or you may ask for special assistance from your Burroughs representative, who can apply his knowledge of machines, applications and procedures to help you to meet your changing requirements.

MAINTENANCE SERVICE



For best performance and maximum production from your Burroughs machines, arrange for periodic inspection, lubrication and adjustment. Burroughs today provides more customers than ever with this efficient protection. All service is rendered on your premises, at modest cost, by factory-trained, factory-controlled service men whose work is fully guaranteed by Burroughs.

SUPPLY SERVICE



Burroughs carbon papers, ribbons, roll paper and other supplies for all makes of office machines meet the exacting specifications established by Burroughs' long experience with business machines and supplies. Burroughs Discount Purchase Plans save you 10% to 40%. Your local Burroughs office will deliver supplies as needed, to assure freshness and avoid storage problems.

Norden Bombsights

Burroughs is manufacturing and delivering the famous Norden bombsight—one of the most delicate and precise mechanisms ever devised.

New figuring and accounting machines are also being produced by Burroughs for the Army, Navy, U. S. Government and others whose needs are approved by the War Production Board.

3 HELPS for BURROUGHS USERS

In war as in peace, you can depend on Burroughs. For complete information on any or all Burroughs services, telephone your nearest Burroughs office, or write Burroughs Adding Machine Company, Detroit.

Burroughs

ADDING, CALCULATING, ACCOUNTING, BILLING AND STATISTICAL MACHINES
NATIONWIDE MAINTENANCE SERVICE • BUSINESS MACHINE SUPPLIES

Problems of the Post War Economy

(Continued from page 11)

pose, has to do with the fate of the controls we have found expedient to impose on economic activities during the war. I suspect that few believe today either that we can discard all the controls out-of-hand or that we can operate a capitalist society for long with all of them continuing in force. A more selective policy than either of these all-out positions is probably called for.

Price control is an example. While maximum-price regulations were invoked principally to protect the consumer during wartime scarcities, business generally recognizes their value as a curb on inflation that would destroy capital investment values and prevent the recreation of stable market conditions. Reconversion of industry and resumption of civilian production will be a gradual process; and until production is capable of taking up the inflationary slack in purchasing power, price control will continue to fulfill a generally recognized need.

When Will Prices Be Freed?

BUT unless our whole economic system is to be revised, the price of individual commodities and then of segments of the market and finally of the market as a whole will have to be freed at some point. Determining the time when each price control can be freed is a problem in itself and one that raises the general question of whose interest is to determine the time. Conceivably producer and consumer interest may differ as to the point at which the free play of supply and demand is to be allowed to take over as the regulator of prices.

The same general question arises with regard to restrictions on consumer credit, on installment sales and the like. Just where such credit ceases to be a dangerous inflationary force is not easy to decide and hence becomes a delicate matter of policy. Restrictions on changing jobs, on wage increases, on labor's right to use the strike weapon and a host of others are tied together in this problem of timing the relaxation of wartime controls on economic activities.

Formulation of tax policies raises another problem in timing. Just as

an example, it has been asserted that a general sales tax is a practical means of curbing wartime inflationary pressures even if it is admitted that under normal conditions such a tax discriminates against low income groups. Just when, then, are we to cease trying to formulate a tax policy to curb spending and to begin mapping one to encourage it? And when is the capital goods market to be considered in such a condition as to warrant encouraging venture capital to come out of hiding and when to go into hiding? Presumably a lot of private capital is going to be needed for converting war industries to civilian production and for launching the new industries and new concerns that will provide the additional jobs necessary to absorb our increased working force. Capital gains taxes, taxes on uninvested capital, carry-back standards for computing taxes, and any number of other measures in this field are matters of policy to be considered in relation to the problem of encouraging a high level of production and employment.

Labor Problems to the Front

A CRUCIAL group of problems has been held more or less in abeyance through the war and will come to the fore sometime after reconversion gets well under way. These are labor problems, not just such matters as the right to strike or wage levels, but the role that organized labor is to play in the postwar economy. Labor-management cooperation committees have increased considerably during the war program, have won some favor among employers and have become a major plank in organized labor's platform. Much of the resistance to them, as well as much of the agitation for them, has been sublimated to national interests during the war but they will have to be taken into account after the war emergency is over. The change in working forces brought about by conversion to war production raised questions of organizing rights and representation that broke through even wartime restraints; the change in working forces inevitable in the postwar shift back to civilian production probably will raise just as many

questions, but without the strong patriotic restraints applying during the war. This holds for both organized labor and management, for both, by and large, have put war production above self interest during the war, and both can be expected to revive self interest when the emergency passes. And back of all such issues there remains the necessity of developing a more consistent government policy in refereeing labor-management conflicts under non-war conditions.

There is another reconstruction period problem which, in its economic terms, is closely allied to the reconversion problem of disposal of government owned property. It is the problem of how the government is to operate that property which it decides to keep in public hands. In other words, what policies is the government to follow not in relation to private business but as a business concern itself?

Government Will Be in Business

IT seems apparent now that the government will be in business in a big way, certainly to a greater extent than it has been in the past. War construction projects like the Big Inch oil line suggest the most obvious fields, but less directly the government will be involved in such enterprises as commercial aviation on foreign routes and the merchant marine—involved both through probable subsidizing of domestic private interests to meet foreign competition and through supervising policies because of their effect on the Nation's international relations.

Problems of operating policies on such projects as the Big Inch are familiar enough and need no elaboration here, but other war-born domestic enterprises in which the government holds and may continue to hold a dominating position, such as synthetic rubber, involve relatively unfamiliar problems for which a new line of policy will have to be developed. Maintaining the synthetic rubber industry, which already is producing more than our pre-war natural rubber demand, will probably necessitate protective tariffs around the domestic market for some time; and there will be considerable support for such action both to protect the government's vast investment and to



The hat that saved a head

Said the Hartford Engineer: "Give them safety helmets."

That was his recommendation on finding shipbuilders working without head protection; while directly above, cranes were moving big loads and other men were using heavy tools.

Shortly after the "hard hats" were issued, a falling tool struck a man below. His helmet was pierced but it saved his head—perhaps his life.

In mills, factories, on construction operations, Hartford Engineers scout for hazards to life and property. Through advice to management and cooperation with supervisors they help correct dangerous conditions and unsafe practices.

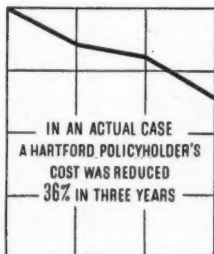
How Hartford Engineers help in the war



In peacetime, industry benefited from their work in prevention of accidents and fires. Now, when a full day's output from every available worker is vital to victory, the Hartford Engineer's efforts to maintain uninterrupted production are contributing mightily to America's record flow of planes, ships, tanks and guns.

...and help cut the cost of insurance

Fire losses are lower now than years ago, in relation to the values insured. The population accidental death rate is also lower. And insurance rates are down. All this is due in no small measure to the alertness and "know how" of insurance engineers, cooperating with industry and with policyholders in general.



Yes, fire can start itself!

Don't let waste paper, oily rags and other trash accumulate in basements, closets, out of the way corners. They can generate enough heat to ignite spontaneously. Clean up and keep clean! Make *every week* Fire Prevention Week.



Ever hear of Valuable Papers Insurance?



Loss or damage to vital records—by fire, water, explosion, burglary, riot, etc.—could seriously hamper your business. Valuable Papers Insurance can help you keep it on an even keel. This protection will pay the expense of restoring your files, books, drawings, blueprints, deeds and other indispensable records if destroyed or damaged by practically any cause.

Which face can you trust?

"Trust an honest face" isn't a safe rule in running a business. It has caused employers heavy losses. Best plan is to cover *all* members of an organization with a Blanket Fidelity Bond. Then you *know* you're safe.



Want to save a fighter's life?

"Thank the people back home who gave me their blood!" That heartfelt thought occurs often in things our wounded men say and write. The miracle of blood-plasma! It has restored thou-

sands, after terrible wounds and shock. Be a blood donor. Your body will quickly replace the pint you give. Go to the nearest blood donor station of the American Red Cross.

What you want in an insurance company

You want your insurance company to be financially strong—to have a good record for prompt claim payment—to be human in its dealings with policyholders and ready to serve them anywhere and at any time. Let the Hartford agent in your community or your own insurance broker tell you more about the advantages and benefits of being Hartford-insured.



HARTFORD INSURANCE

Hartford Fire Insurance Company
Hartford Accident and Indemnity Company
Hartford Live Stock Insurance Company
Hartford, Connecticut

Writing practically all forms of insurance except personal life insurance

maintain one more industry capable of providing jobs here at home. But our trade relations with other countries are also involved.

Foreign relations also complicate our choice of policy on postwar air and merchant-marine commerce. We will have a tremendous investment in air fields and facilities in all parts of the world and a merchant-marine fleet second to none. Unless we are to pull out completely, we will be treading on the toes of other nations, notably England, which depends almost for its very life on dominance in foreign trade. But to pull out as a favor to other countries will mean sacrificing much of our investment in these fields. The question boils down to a choice between becoming a full fledged competitor as a "carrier" nation or continuing our traditional policy of letting other nations carry most of our foreign trade as one way of paying us for the goods we export to them.

Price Problems—A Reconstruction Problem for Private Enterprise

IN all of the foregoing reconstruction problems—the relaxation of market controls, tax policies, labor relations, and foreign trade—the decisions made at the government level probably will be decisive, but there is another problem in which the initiative must be taken by private enterprise and free labor organizations. This is the broad problem of developing price policies that will enable us to maintain the wide distribution of goods necessary for enduring prosperity. No solution to this problem can be legislated under our economic system.

The burden here seems to fall heaviest on representatives of private enterprise since it is they who, in the final count, must determine price policies. It was in this field that we failed most clearly in the years just before and during the depression. We failed to find a price formula that would use to a practical maximum the natural resources, equipment and manpower available.

At the convention of the National Association of Manufacturers last month, Alfred P. Sloan, Jr., representing the world's largest manufacturer, General Motors, suggested

that awareness of the nature of the price problem is growing at the management level where alone it can be effectively answered. Mr. Sloan said that "the prewar standards of national income passed with the prewar period itself" and asserted that industry must plan to produce for a national income of \$100 billion dollars as compared to the 65 to 70 billions considered a prewar norm. And he wasn't just tossing figures about at random, for he went on to say that General Motors was prepared to take the lead with a \$500 million dollar investment program of reconversion and expansion.

The National Association of Manufacturers as a whole wound up its deliberations with a resolution to "produce and distribute better goods in greater volume at lower prices to more people." Apparently the nature of the problem is recognized and the general aim agreed on.

The Big Postwar Challenge

I HAVE saved this problem to last because it seems to me we have here the best possible indication of the over-all scope of the postwar economic challenge and the clearest suggestion of the attitude of mind required to measure up to that challenge.

There have been many encouraging signs lately that we realize there is a real challenge shaping up in the postwar period, but there are at least as many contrary signs. We still seem inclined toward the idea that the crux of our problem is security. Organized labor leadership hasn't got very far away from its emphasis on protecting the job, even if it means restricting production volume. Business leadership is still mightily concerned with protecting existing markets and past investment even if it means stifling opportunities for further expansion. And government leadership still looks on promises of social security in various forms as the most effective rallying point for a progressive administration. But this attitude, whether in labor, business or government, is primarily defensive. Certainly there is nothing wrong with wanting to protect and defend what we have, to maintain the standard of living we have achieved individually or collectively, but great crusades are not carried on under such banners. I sug-

gest that success in maintaining what we have will in reality prove to be a failure, that only by showing positive progress can our economy even hold its ground. In the postwar period, as the Red Queen told Alice in Wonderland, we will have to run very fast to stay where we are.

This seems to me apparent in the realignment of power and prestige in the world almost certain to develop after the war. In a recent dispatch from Washington, David Lawrence, who is not in the habit of making rash forecasts, predicted that the postwar world would find two powers standing head and shoulders above all others—the United States and the Soviet Union. Since these two governments are based on fundamentally different economic systems, their relationship cannot help being largely competitive for the markets offered by the other nations of the world.

The Prestige of Russia

BEFORE Hitler launched his ill-fated attack on Russia, the Soviet Union was considered and usually treated as a rather remote factor in world affairs. But her political prestige has mounted beyond the wildest expectations and our evaluation of her economic strength, present and potential, has had to be revised upwards. Before the war the Soviet Union had undertaken a series of three five-year plans that raised her from a state of semi-feudalism to the front ranks of the industrial powers. Shortly before Russia was invaded, the 18th conference of the Communist Party set as the goal for the next 15 year period the surpassing of "the most advanced capitalist countries." There is no reason to believe that the war has changed their aim. They mean to be the biggest and best industrial power in the world and who can say, in view of their remarkable achievements before and during the war, that they will not!

"The most advanced capitalist country" which the Soviet Union intends to challenge after the war will be the United States. The prize in this economic competition will be found not entirely in the trade figures of the rival countries themselves but also in the effect had on the postwar development of Europe and much of Asia. All countries of all Europe will be casting about for examples to fol-

low in reconstructing their economic affairs. The comparative showing of the two great competitors may well be decisive in determining whether free enterprise, capitalism or whatever you want to call the system we are familiar with, or the collectivist economy represented by the Soviet Union will become the dominant one in the postwar world.

Soviets on the Offensive

THE Soviet Union is not setting its sights on any guarantee of a minimum security level. Its postwar planning, and we can safely assume it is doing plenty of it, is geared to an economic offensive. It isn't studying methods of alleviating the pangs of unemployment, but means for expanding its working force potential. Its Constitution has been changed to eliminate as superfluous a guarantee of employment opportunity and to substitute for it a duty on all citizens to work. And there have been reports that part of Russia's demands on Germany after victory will be for a working force of from one to five million men.

Soviet Russia, we can assume, will have no unemployment, since under her economic system there is no question of policy but only of administrative efficiency in putting to use the resources, equipment and manpower available. We have good reason to believe that we can outstrip Russia or anyone else on the administrative level of industrial enterprise, but we can't be so cock-sure of successful competition at the policy level. But it is our success or failure on that level that may decide this world competition between the two economic systems.

That's why I suggest that the crux of our postwar economic problem is likely to be the question of price policies as they stimulate consumption and production and hence determine the self-generating expansion power of our economy. This with the several dependent postwar problems I have attempted to outline may serve as a sort of frame of reference against which to weigh the remarks of the three speakers to follow me in this series. The adequacy of their proposals can be judged on no less a scale.



V Day for Everybody

Zero Hour for Your Postwar Plans

NO ONE knows when V Day will come, but when it does you'll need your working capital in shape to go to work...to translate postwar plans into immediate action, so competition won't get a head start in the markets of a new and better world. And on V Day you may be glad you decided to learn more about American Credit Insurance *now*.

With credit insurance, your working capital won't be affected if an abrupt halt to war activities upsets some of your customers...and they suddenly find themselves unable to meet their obligations. *Your* postwar plans won't have to be held up, awaiting settlement of delinquencies or insolvencies.

American Credit Insurance *guarantees* payment of your accounts receivable. It guarantees, *for a year to come*, that abnormal and unpredictable credit losses will not impair

your working capital...or your credit...or your profits. In short, it gives you certainty in place of uncertainty.

Your Credit Manager investigates, appraises and controls credits on all accounts as usual. American Credit Insurance supplements his work and fortifies his judgment...by protecting you against defaults due to developments after (or undiscovered before) goods are shipped.

Manufacturers and Jobbers in over 150 lines of business carry American Credit Insurance. You need it too. For further information, write for our booklet, "The A-B-C of Credit Insurance." Address: Dept. 47, American Credit Indemnity Co. of N. Y., First National Bank Building, Baltimore-2, Md.

J. F. Fadden
President



American Credit Insurance

*Pays You When
Your Customers Can't*

OFFICES IN PRINCIPAL CITIES OF UNITED STATES AND CANADA

Summary of Baruch Report on Termination

(Continued from page 7)

policies the entire field force of all of the various agencies, including the services.

15. Surpluses to be offered in lots of such size as to permit businesses of all sizes to participate.

16. The Attorney-General is placed on the policy board because of the importance of preventing monopoly in disposal.

17. The Bureau of the Budget is on the board to develop policy for permanent good housekeeping of Government properties.

18. The membership of the surplus property board to be made up of men who will carry out the decisions that are made.

D. Over-all Controls

A general tightening of the entire government war machine for both mobilization and demobilization—the two going hand in hand.

1. A running review of the functions of all war agencies by the Bureau of the Budget, reporting regularly to the Director of War Mobilization with recommendations for cutting down the agencies as their work dwindles.

2. Intensification of the fine work already being done in sweating out unnecessary requirements in the services' programs.

3. An early, equally effective review of the programs for raw material production, stockpiling, imports, subsidies and premiums to marginal producers so as not to continue any of these programs beyond being needed.

4. Early review of all wartime material controls and limitation measures to determine under what conditions these orders can or should be modified.

5. Strengthening of the industry advisory committees in the War Production Board.

6. Tightened handling and advance planning of new contracts and contract cancellation.

7. Closer working together of the WPB and the OPA to avoid pricing delays in the resumption of civilian production.

8. The armed services to furnish all civilian agencies full information in adequate time for these agencies to do their planning.

9. The civilian agencies to organize themselves to use this information effectively.

10. A running conspectus by the Office of War Mobilization of the tasks assigned each agency.

11. No new demobilization agency needed at this time.

E. Planning for "X" Day

1. To be prepared in event of a sudden collapse of Germany, the armed services and the War Production Board to cooperate in the immediate preparation of an "X Day" reconversion plan based on the assumed defeat of Germany on a hypothetical "X Day."

2. This plan to seek to estimate cancellations in advance, to make tentative selections of the industries and plants to be freed, to be used to get a head start on all demobilization problems.

3. Advance listing of the priorities to be given different civilian needs in any opening up of civilian supply.

4. The highest priority to go to those things which contribute directly or indirectly to improved military efficiency, such as vital repairs, transportation.

5. As far as possible, all competitors to be treated alike in the resumption of civilian production but not so as to interfere with war requirements or to hold back production of needed items.

6. While this advance planning is being done, no letup on the war.

F. War Powers

Prompt Extension of Needed War Powers

1. The price control law.

2. Priorities and allocations power on which functioning of War Production Board rests.

3. Requisitioning power of President.

4. Attorney General to study other war powers of agencies to determine when they will expire, which can be allowed to elapse and which should be extended.

G. Cancellations

Tightened Handling of Cancellations

1. Prompt cancellation of war contracts as soon as it is seen goods are no longer needed.

2. Procurement agencies to inform the War Production Board of possible cancellations or cutbacks as soon as they begin to think of them.

3. The WPB to work out in advance the policies governing the choices as to which producers should be cancelled and which left in production.

4. The actual choices to be made after full consultation with the WPB, War Manpower Commission, and other interested agencies.

5. That contract cancellations be guided first by what will contribute to a more efficient prosecution of the war.

6. With war needs satisfied, second by what will contribute to the quick balanced resumption of civilian production and to an orderly changeover from war to peace.

7. Contract cancellation to be integrated with procurement and expansion of civilian production so that facilities and manpower which are released are shifted to new war work or, as far as practicable, to expanded civilian production.

8. A full, frank information policy on all cutbacks and cancellations.

H. Small Business

1. That surpluses be disposed of in small lots to permit small as well as large business to participate.

2. Similarly, the disposal agencies to be able to lease and to sell on credit, expanding opportunities for small business.

3. Effective representation of small business on industry advisory committees.

4. Protection of small business in the resumption of civilian production, as far as is practicable without interfering with war.

A. Earlier cancellations where small business can be converted.

B. Care to protect competitive position of small business.

C. Possible relaxation of "nuisance" type production control sooner than broader controls.

5. Provision for special credit to assist small business in the changeover and to encourage new enterprises.

A. Extension of the lending authority of the Smaller

War Plants Corporation, at present restricted to purposes of war production, to cover financial assistance for changeover problems.

B. Expansion and liberalization of the Federal Reserve System's authority to make industrial loans permitting one-half billion dollars of such loans outstanding at any one time.

C. These two additional sources of credit to supplement—not compete with—the enormous volume of savings in the hands of individuals and banks which await tapping.

I. Postwar Tax Law

So that the loans made available can be repaid and to encourage new enterprises, a postwar tax law be drafted now, during the war, and put on a shelf for use at the end of the war.

1. This tax law to make known in advance the reductions in tax rates from the present wartime levels to normal peacetime levels.

2. That this tax law provide for reduction of the national debt—the importance of reducing the debt being “to return to a strong position of national defense.”

3. That this recommendation not be interpreted as meaning that present tax rates are too high for war—if anything, they are too low—or that there should be an upward revision of our standards of fair wartime profits. “We have never swerved from the position that the profit be taken out of war.”

J. Public Works

1. Early engineering, planning and designing of public works to be put on the shelf for use if needed.

2. Any fund created to assist local bodies in such planning be administered with full recognition that the debt burden of many communities, cities and States is far lower than the Federal Government's.

3. Immediately needed projects which have been deferred during the war to be kept under review by the War Production Board for possible clearance as war needs slacken, with due regard to the competing demands of other essential production and employment.

Mr. Baruch Further Outlines Plan in Letter of Transmittal

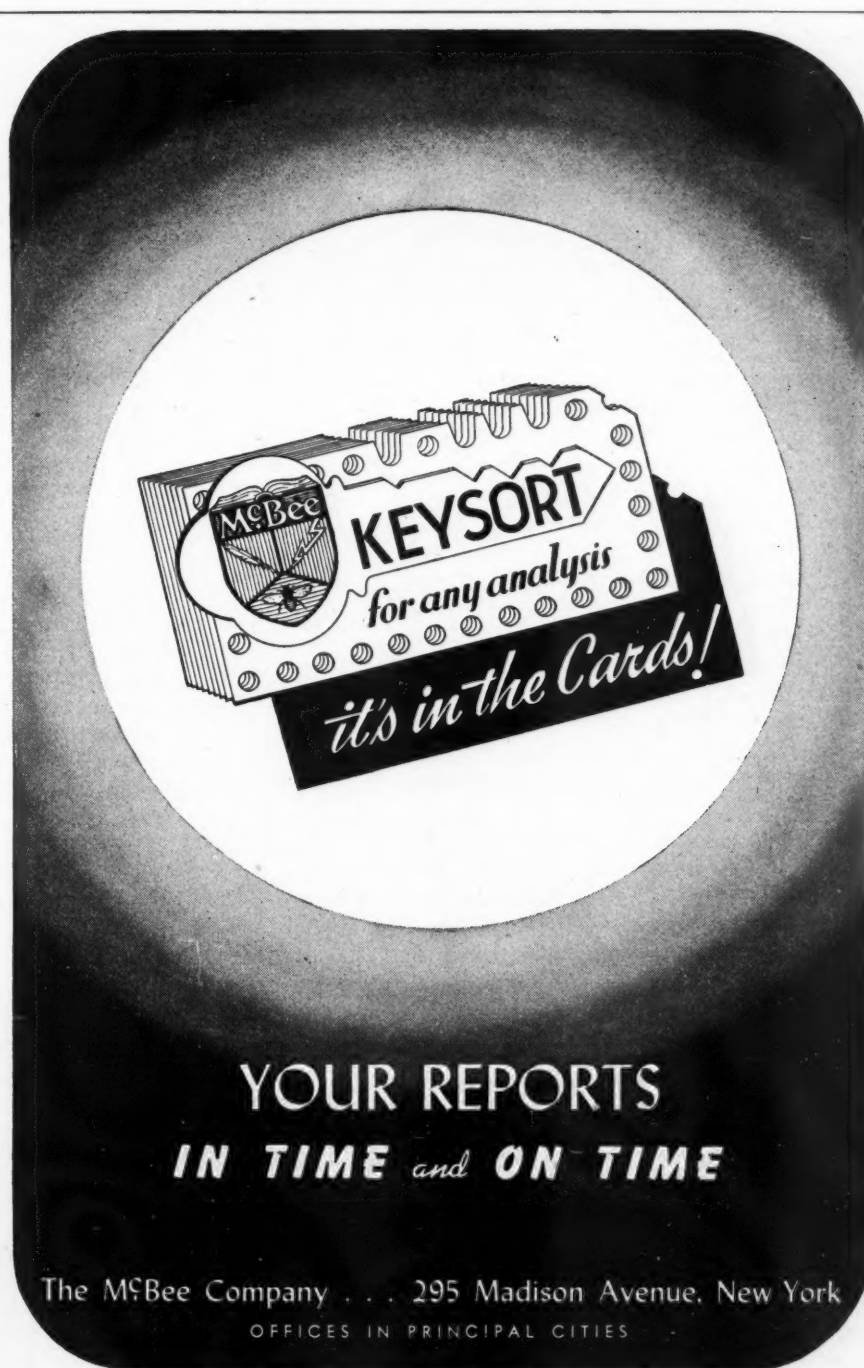
Following is the text of the letter sent by Bernard Baruch and his assistant, John Hancock, on war and postwar adjustment policies to the Director of War Mobilization:

The Honorable James F. Byrnes, Esq.,
Director, Office of War Mobilization,
The White House,
Washington, D. C.

Dear Mr. Byrnes:

Pursuant to the instructions you gave us to inquire into war and postwar adjustment policies, we submit herewith our report. It is divided into three parts: (1) this letter, which is a rough synopsis of our major suggestions; (2) the report itself; and (3) additions giving a more extensive treatment of three subjects—contract termination, surplus property, and tightening the industrial war machine.

Victory is our first and only duty, but just as we prepare for war in time of peace, so we should prepare for peace in time of war. Through preparation we visualize a prosperity, sound and lasting. We see, not merely civilian needs crying to be filled, but a world requiring



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IN TIME and ON TIME**

The McBee Company . . . 295 Madison Avenue, New York
OFFICES IN PRINCIPAL CITIES

the things we can supply—an unlimited market for our products.

Our specific assignment was to study the immediate demobilization policies which have to do, necessarily, with the stimulation of the war effort, since victory is the first essential, and with the preparation for peace to follow victory—to win the war and to prepare for peace.

Chief Considerations

In the development of this theme we find certain considerations to be of first importance. They include:

1. Getting us all back to work in peacetime enterprises. This may require a special authority under the Director of War Mobilization to give its entire attention to the problem of bringing jobs to all workers, with emphasis laid upon the returning service men and service women who are our first concern.

2. Taking the Government out of business by:

- (A) Payments for work done and work under way. In connection with this phase of the problem, we have assembled a complete "financial kit" that should prove effective. The Government must pay its debts, and pay them quickly and fully, so that business will have its working capital freed for pay rolls and purchase of materials.

- (B) These payments can be made with ample protection to the Government against fraud.

- (C) Move out and store war materials from plants so as to make room for equipment and materials for civilian production.

- (D) Centralize the control and disposal of surpluses of all types in such a way as to bring them into ready and effective use and insure orderly markets. This too may require a special administrator in the Office of War Mobilization.

3. A general tightening up of the industrial war front so as to finish the bloody business with finality, and thus be ready for peace.

4. Spreading acceptance by war contractors of the "uniform contract article," as recommended by us and approved by you.

5. Place all war agencies under running review to cut them down as their work dwindles: also review of all war industrial controls.

6. Immediate extension of laws governing price control, priorities and requisitioning, all three expiring this year.

7. Early engineering on public works to be ready if needed to fill in the valley of unemployment.

8. Provide credit means for those requiring it during the adjustment period, particularly for the smaller business groups and returning service men.

9. Prepare now for future action reducing taxes from war to peace-time levels, thereby providing necessary incentive for initiative and enterprise and stimulating employment.

X-Day Plan

10. Prepare an emergency "X" Day reconversion plan to be used in the event of a sudden collapse of Germany so as to enable us to go on with our crusade against Japan and at the same time to prevent the dislocation resulting from lack of preparation. This phase of the broader plan is to be worked out by the armed services with the War Production Board.

Transition from a war economy to that of peace is

not easy; nothing worth while is. In our reconversion we shall try, as this country always does, to cure the things that caused us worry and to strengthen the good; to hold to the proven but be ready to test the new. That is progress.

The frame of our operation shows the gigantic nature of the changeover. It affects every part of our economic life. Nothing comparable ever has been known before.

Gigantic Task

As one indication of the size of the job, about \$50,000,000,000 of the current annual production represents strictly war goods—that is things, which when peace comes, we will stop making. This gap must be filled in large part by civilian production and services, if we are to keep the needed volume of employment. The demobilization of the armed forces will come gradually. Their absorption by industry will be aided materially by several factors, the weight of which is not now clear, such as: the giving up of war jobs by many women; the retirement of older workers; the increase of travel and recreation time; the return of many younger workers to school; the resumption of college and professional training by many now in the services or in war industry; the renewal of many professional and service businesses that have stopped during the war; the starting of new enterprises; the business involved in meeting the needs of the world; reduction in the work week; the normal enforcement of child labor laws.

More Difficult Shift

The net increase in employment in industry from 1937 to 1944 is estimated at 7,600,000 people. Considering factors mentioned above, the problem of demobilization, though difficult, is soluble—if we create the atmosphere in which private initiative and resourcefulness—the traditional American spirit—can again take hold.

It is an easier task to convert from peace to war than from war to peace. With the coming of war a sort of totalitarianism is asserted. The Government tells each business what it is to contribute to the war program—just what it is to make and where it is to get the stuff out of which to make it. The planning and execution rest upon one over-all purpose and a single control. Patriotism exercises a strong compulsion.

In the reconversion and readjustment will come improvements in our standards of life—better houses, better clothes, better food, better safeguards for children, better health protection, and wider educational opportunities. These bring hope for the future instead of fear; they give security instead of unrest.

Postwar Depression

There is no need for a postwar depression. Handled with competence, our adjustment, after the war is won, should be an adventure in prosperity. Our soldiers will not be let down. They are our chief concern. No pressure groups of self-seekers will take our thoughts from the duty we owe them.

Finally, while the producers should be restrained from excessive profits during the war, the workers as long as hostilities are on should refrain from strikes. No grievance, however just, should be permitted to slow our march to victory.

Sincerely yours,

BERNARD M. BARUCH.
JOHN M. HANCOCK.

Termination Financing Under V and V-T Loans

(Continued from page 16)

commitments as a result of the Attorney General's opinion rendered January 4 of this year. Such T-Loans and commitments, however, must be arranged for and executed prior to termination since there is at present no legal authority for the Government to enter into such commitments after termination.

While any one of these three types of loans can offer protection of working capital in the event of termination, they are nevertheless, wholly inadequate for the termination financing job we have ahead of us. Their inherent weaknesses are: First, that it is necessary for each war production contractor to enter into these arrangements prior to cancellation; second, the work and red tape in connection with these loans is both cumbersome and costly; third, there is no uniformity of policy on procedure between the War and Navy Departments and the Maritime Commission. It is for these reasons that all of the proposed plans call for a simplification and decentralization of the T-Loan program, and further provide for empowering the Government to guarantee such loans after termination. If some simplified uniform procedure is established for providing contractors with funds after cancellation, then the system will work, and it will carry the heaviest load with respect to sub-contractors. If, on the other hand, the T-Loan program is burdened with any of the centralized red tape, it will break down miserably.

Termination Responsibilities of Industry

AS you can see, there is real cause for indecision on the part of the contractor as to the advisability of entering into a V- or VT- or T-Loan arrangement. No general rule can be established, but every war production contractor should seriously consider this problem and discuss it with his banker.

There are some things, however, that the contractor can do for certain. Among those are laying plans now for the day when his contracts will

be terminated. He can study the requisites of allowable costs and maintain accurate records in connection with these costs. He can appoint a termination officer and see that he is kept abreast with all the termination policies and procedures as they are established from day to day. If he be a sub-contractor, he can arrange now with his contractor for setting up procedures which will expedite settlement upon termination.

Moreover, and most important, he can be ready for reconversion—for speedy reconversion, particularly since

he will have his excess profits tax as a carryover to cushion any excessive costs in connection with *speedy* reconversion. It is my hope that industry generally will not permit these carryovers to act as an opiate, permitting them to shut down for long periods at a loss while awaiting the outcome of final settlement. The postwar unemployment problem will depend largely on the courage of industry, and the better geared the contractor is to expedite his termination settlements the quicker he can reconvert and provide employment.

HIGHLIGHTS

in Insurance History

At the War Department:



The Advisory Fire Protection Bureau is maintained by The National Board of Fire Underwriters in the War Department. A force of trained engineers works full time on army projects—inspects and prepares fire prevention standards to save lives and help speed production!

At the Navy Department:



A similar bureau is maintained at the Navy Department. Engineers here make recommendations for fire prevention and removal of hazards. Many of these have been carried out, speeding the successful completion of vitally needed ships.

With Civilian Defense:



A leading fire protection engineer serves as Chief Consultant to the Fire Defense Section at the Office of Civilian Defense. Another is Chairman of the Advisory Committee of that Section, while others have taken part, including one in charge of fire defense on the Pacific Coast.

With the Coast Guard:



At more than 100 ports throughout the country, another group of engineers helps see that piers and wharves, war material and equipment, waiting there for shipment, are not damaged or destroyed by fire.

★ In wartime, the work of the National Board's Committee on Fire Prevention and Engineering Standards is particularly important. Advisory Bureaus, set up by this Committee, help safeguard the lives of our armed forces and the materials they need to win.

Said Secretary of Commerce Jones: "The rate of destruction by fire in the 3-year period since 1939 is 40 percent lower than the rate for the similar 3-year period following the outbreak of the first World War. The part the insurance companies played in helping to establish these fine records has benefited not only their policyholder, but also every man, woman and child in the country."

National Union

and Birmingham

FIRE INSURANCE COMPANIES

PITTSBURGH · PENNSYLVANIA



Responsibilities of Financial Institutions

THESE responsibilities do not begin and end with the contractor. Much has been said about the Government's responsibilities in this direction, but I have not touched upon the position of banking in the termination picture.

Most certainly banking must keep abreast with termination policies and the larger institutions should appoint a termination officer. They have cooperated and will continue to cooper-

ate to the fullest extent with the Government with respect to any interim termination financing programs that are evolved, and in my opinion, they will be most liberal in providing funds to contractors against valid termination claims.

It is quite evident, therefore, that everyone concerned with this problem has the same ultimate objective, that

is, seeing that the contractor gets all that is justly due him and seeing that he gets it just as quick as possible, and further seeing that he is provided with funds pending final settlement. With such an uniformity of purpose, there is no doubt in my mind that speedy reconversion will in no way be hampered by the lack of working capital.

84% of American Homes Now Have Electricity, Survey Shows

(Continued from page 18)

erating costs. But the information available indicates that, except in small communities, the rates of municipal systems compare favorably with those of private systems. Their costs also compare favorably despite the smaller scale of municipal production."

Municipal power plants, of course, are only one form of public projects. In general, the summary factual report says that "in comparing the efficiency of public with private systems, allowance must be made for the contributions of each to the public service through taxation or otherwise. Also, since private utilities, motivated by the desire for profit, obviously cannot be allowed to operate without restraints, some of the cost of private as compared with public service is the expense of regulation. And since public enterprises can borrow money more cheaply than private businesses, private utility operation must effect offsetting advantages or remain more costly."

In supplying electricity in rural areas, the Fund's summary says, "Rural cooperatives are only now beginning to emerge from their developmental stage and it is not yet clear whether they can cover their costs. If they can, they offer a cheaper form of electric service than private systems can afford to give.

"Few statistics are available to show whether rural cooperatives can maintain their present rates without subsidy. Since the program is still in the stage of building up its load, current statistics do not indicate whether revenues will ultimately

cover costs. A comparison of August, 1938, with 1939 records for 650 systems financed by the Rural Electrification Administration shows, however, that net revenues increased about 80 per cent and operating costs by only 21 per cent. This suggests steady progress."

TVA No Yardstick

ON such large projects as the TVA and Boulder Dam, the Fund's summary of factual findings says, "The multiple-purpose projects of the federal government fall into a different category. Irrigation, navigation, flood control and other services, unsuited or unattractive to private enterprise, are combined in federal projects. Many such projects are undeniably economical. The advantages of adding power facilities to projects for navigation and flood control often greatly exceed the cost. . . . Nevertheless, there are, as in all public projects, difficulties in calculating costs and dangers in rate comparisons which fail to take account of advantages enjoyed by public projects but inaccessible to private enterprise."

The traditional way in which the public interest is protected when private power projects are given an actual or quasi monopoly in a certain area is through the regulation of the private project by a governmental unit. On this point the factual summary says, "Dissatisfaction with regulation in the past has stimulated demands for public ownership of utilities, yet the necessity for regulation does not disappear with public operation. Some municipal systems

FOR YOUR OWN SAKE Fight Inflation



The Phoenix

Insurance Company, Hartford, Conn.
1854

The Connecticut
Fire Insurance Co., Hartford, Conn.
1850

FOUTABLE
Fire & Marine Insurance Company
PROVIDENCE, R.I.
1859

ATLANTIC FIRE INSURANCE CO.
Raleigh, North Carolina

THE CENTRAL STATES FIRE INS. CO.
Wichita, Kansas

GREAT EASTERN FIRE INSURANCE CO.
White Plains, N. Y.

MINNEAPOLIS F. & M. INSURANCE CO.
Minneapolis, Minn.

RELiance INS. CO. OF CANADA
Montreal, Canada



HARTFORD
30 Trinity Street
CHICAGO

Insurance Exchange

NEW YORK

110 William Street

SAN FRANCISCO

220 Montgomery Street



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are operated to obtain monopoly profits for tax relief, for instance, which may obstruct the widespread use of electric service and so keep costs high.

Proposes Coordination

"FURTHERMORE, public operation of electric systems does not necessarily mean the exclusion of private utilities. The latter have made great technical contributions to the industry. Their organization in some respects is more flexible than that of public systems. But the downward pressure of the private profit motive on costs has undoubtedly been overrated, just as the capacity of public servants for initiative and enterprise has often been underrated."

Those in charge of the Fund's investigation found that the facts point strongly to the continued extension and development of both private and public power projects. Looking ahead, the research summary says, "If our national power system is to remain partly public and partly private, the two segments must be coordinated. Much more effective arrangements for interchanging power between public and private agencies must be developed if the best use is to be made of the power resources of large areas. This is part of the larger problem of regional coordination which may well eventually call for some form of public integration for the whole country."

Issue New Book on Controls for Contract Termination

The Remington Rand, Inc., has just issued the 28-page booklet entitled "Effective Control of Terminated Government Contracts." This booklet is based on the experience of Sperry Gyroscope Co., Inc., and contains a lot of information regarding the handling of terminated contracts which will be of deep interest to every prime contractor or subcontractor. Copies of this booklet may be obtained at any of the Remington Rand, Inc., offices or by writing direct to the Systems Division, Remington Rand, Inc., Buffalo 5, New York.

Chandler Urges Salary Basis For All Referees

IN submitting his report of the Administration Office of the United States for the fiscal year ending June 30, 1943, Director Henry P. Chandler said that in consequence of the decline in bankruptcy cases filed, the earnings of the referees in bankruptcy who are compensated entirely by fees paid by the parties to the cases, have dropped to

a point where they are in many instances entirely inadequate to compensate the referees for holding themselves available.

The report further states that this condition points to the necessity of putting the referees in bankruptcy on a salary basis and thus insuring them a stable if moderate income, as would be done by the Bill now pending in the House of Representatives (H. R. 1107), which with several proposed amendments was approved by the Joint Conference of the Senior Circuit Judges.

—*Amer. Bankruptcy Review.*

And still the Greatest Mother in the World!

EVERY year you have given to the Red Cross...willingly and with a free heart. You helped us help millions of people...when the floods struck...when the earthquakes came...when famine devastated some far-off land. It was your habit to give...the great proud habit of thirty million American families...proud that they *could* give...proud of the great Red Cross, that made the giving worthwhile.

But this year it is going to be different.

When you dig into your pockets it won't be just your "regular" contribution. For this year the need is greater than it's ever been before.

And this year it is your own boys the

Red Cross serves...Eleven million of them in every land from Sicily to Chungking...on every ocean and in every sky.

This year, when you cannot be near your sons, you will give and be glad that the Red Cross—your Red Cross—is *still* the greatest mother in the world.

So give—for this is the year when giving really hits home. Give for the boy who longs to be with you—give to *your* Red Cross which will reach him for you.

This time dig deep—deeper than ever before. Dig deep and be glad that you can.

For wherever he is




The RED CROSS is at his side
and the Red Cross is YOU!

Credit and Financial Management

Is a Financial Statement

Enough?

It's helpful, we'll agree. But isn't it just as important to know *how a customer is paying his accounts* as to know what he is worth?



FEDERAL BUREAU OF INVESTIGATION

CREDIT INTERCHANGE BUREAU
NATIONAL ASSOCIATION OF CREDIT MEN
Executive Offices: One Park Avenue, NEW YORK, N. Y.
 Central Bureau: 314 N. State Street, ST. LOUIS, MO.

HERE'S WHAT HE OWES NOW

The accuracy of this Report is not guaranteed. Its contents are gathered in good faith from members and sent to you by the Bureau without liability for negligence in preparing, collecting, summarizing or failing to communicate the information so gathered.


REPORT ON:

YOUR CUSTOMER

ANYTOWN, U.S.A.

DECEMBER 15, 1940

BUSINESS IDENTIFICATION	HOW LONG SOLD	DATE OF LAST SALE	AMOUNT DUE			DUPPLIED ON PREVIOUS REPORTS	TERMS OF SALE	PAID BY CUSTOMER		CASH/LOANS
			RECEIVED DEBIT	RECEIVED CREDIT	RECEIVED NOTES			ACCOUNT	IN CASH	
INDIANAPOLIS 1201-98										
HOWE	Yrs	11-43	8700	4975	2750		2-10-60		30-60	
AUTO ACO	1935	11-43	1043	725	455		2-10-30		60	
PV&L	1941	10-43	250	140			30		15	
CLEVELAND 1202-495								X		
IRON & ST. HOWE	1936	11-43	3785	2145	1700		1-10-30		20	
	Yrs	12-43	1432	715			2-10-30		X	
NEW YORK 1202-1390										
GEN HDSE	6-40	10-43	2490	1765		850 60		X	X	
CHICAGO										



FEDERAL BUREAU OF INVESTIGATION

HERE'S WHAT HE BUYS

The customer's current paying record, as shown by Credit Interchange, gives a true measure of his responsibility. It tells how YOU will be treated if you extend him credit. AND IT'S THE BEST POSSIBLE CHECK AGAINST THE FINANCIAL STATEMENT HE GIVES YOU.

CREDIT INTERCHANGE REPORTS are *safe guides* in helping you make decisions. They substantiate the correctness of your records, or give you facts of which you were not aware. They tell you *where* your customer buys—*what* he buys—how much he *owes now*—and *how he pays*. They serve the Credit Man perfectly in two ways:

1. *They help him REDUCE LOSSES (by showing him when to put on the brakes); and*
2. *They help him INCREASE PROFITS (by indicating when a line of credit may properly be increased).*

Credit Interchange is not engaged in the business of selling information or reports. It is an adjunct of the Credit Departments of participating members—doing a job for them collectively in a more comprehensive, efficient and economical manner than could be done individually.

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NATIONAL ASSOCIATION of CREDIT MEN

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ST. LOUIS (1), MO.

NEWS ABOUT CREDIT MATTERS

A section devoted to
Credit Association affairs

March, 1944

Copy deadline
10th of Month

Final Drive for New Members is On for March, April

The momentum shown in the membership campaign seems to indicate that when the N.A.C.M. fiscal year closes on April 30 our Association rolls will show a net increase for this year of close to the 10 per cent gain set by the Board of Directors at its annual meeting last fall. The net gain as of Feb. 25 was 1124. This is an excellent showing but a number of Associations report that the membership campaign in their territories has only just swung into full activity. Many of these Associations look forward to a larger gain during March and April than registered so far in the Association year.

One local Association officer reports that he picked out a list of 20 companies and sent personal letters to the financial officers of those companies and invited them to join the Association. The response he received from these letters was amazing. Many localities report that response to membership solicitation has been more cordial than in years. Practically every financial officer is now looking ahead to the post-war period and is anxious to set up his credit information files so as to be able to go "all-out" in the race for business just as soon as the war is over.

A report on the membership campaign would not be complete without taking full notice of the excellent work being done by the Credit Women's National Committee and the various Credit Women's Clubs in local Associations. Miss Irene Austin, credit manager of the Consolidated Biscuit Company, Chicago, and chairman of the National Credit Women's Executive Committee in a bulletin to the Credit Women designated the month of March for a special drive by credit women. Miss Bobbie Hunter of Detroit, who served as chairman of the National Credit Women's Executive Committee last year and who is serving this year as member of the National Membership Committee as a representative of the Women's Credit Clubs issued the following appeal to the credit women for special help in March on the membership campaign:

"Now, as never before, with Post-War problems facing us, you will be rendering your local Credit Association a great service, as well as the prospective member you invite to become a member of our National Association of Credit Men.

(Continued on Page 35)

20 Past Presidents Greet Paul Miller at Omaha Meeting on War Congress

St. Louis: A meeting of the Credit Interchange Board of Governors was held in St. Louis on Feb. 25, 26 and 27. Routine matters connected with the management of the Credit Interchange System were discussed. A further report on the Board meeting will be presented in the April issue.

Los Angeles Merger Unites Two Old Credit Organizations

Los Angeles: On Feb. 17 a merger of the Los Angeles Wholesalers Board of Trade and the Los Angeles Credit Men's Association became effective. The merged organizations will hereafter be known as the Los Angeles Credit Managers Association. While both organizations have been closely cooperative for a number of years, the merger, it is expected, will reduce operating expenses and enable an enlargement of the functions of the Credit Men's Association.

The Los Angeles Board of Trade dates back to the early commercial history of Los Angeles, the first Board having been organized in 1883. Among the objects stated in the charter were those of "arbitration in settling mercantile disputes between members and non-members, furnishing members with reliable credit information, preventing settlements with insolvent debtors without the fullest investigation and resisting all fraudulent settlements, and to bring about joint action in the collection of debts."

Throughout its over 60 years, the Board of Trade has had only seven secretaries, A. D. Johnson being the last one, and he continues as Secretary of the Los Angeles Credit Managers Association. Back in the late nineties the Board of Trade developed a credit reporting system, and in 1904, inaugurated its Ledger Interchange covering Los Angeles accounts and later providing for coverage through the San Francisco Board of Trade. In 1926, the Ledger Interchange Division became a joint operation

(Continued on Page 34)

Plans Are Discussed For Entertaining NACM At Natl. Convention in May

Omaha: Twenty former presidents of the Omaha Association of Credit Men were on hand to honor National President Paul W. Miller at an Association dinner meeting held at the Blackstone Hotel on Feb. 17. Ben W. Stauffacher, Westinghouse Electric and Supply Company and President of the Omaha Association, presided. National Director Emerson Jones, Continental Oil Company, Lincoln, Neb., was also present and made a short talk.

Former President J. T. Brammann, Toastmaster, introduced National President Miller. His address covered Association affairs. Business conditions and national conditions and trends were also ably covered.

The approaching War Credit Congress to be held in Omaha, May 16, 17 and 18 was given special emphasis. President Miller commented on the unusual interest he had found in credit circles in other cities he has recently visited.

General Convention Chairman Frank H. McCall (Fairmont Creamery Company) announced that all convention committee personnel had been selected and he presented the chairman of each committee. He promised more good news about the Credit Congress program as time progresses. R. V. McCollum of Central Credit Interchange Bureau was also introduced.

Frederick H. Schrop, War Credit Congress Director, from New York, was in attendance and spoke on the approaching event and plans.

Gus P. Horn, Executive Manager of the Omaha Association of Credit Men, was among the former Presidents honored at the meeting.

Chicago: The Chicago Association of Credit Men will be represented with the usual large delegation at the Annual War Credit Congress of the National Association of Credit Men at Omaha May 16-18.

E. T. Larson, W. D. Allen Manufacturing Company, is Chairman of a committee in charge of securing as many delegates as possible. Other members of the committee are: G. B. Sturtz, Joslyn Manufacturing and Supply Company; A. P. Christensen,

The Albert Dickinson Company; D. A. Grant, Socony-Vacuum Oil Company, Inc., and Carl I. Johnson, Continental Illinois National Bank and Trust Company of Chicago.

Memphis: At a meeting of the Board of Directors on February 8th, eight new members were welcomed to the Association. Ben Gruber, General Chairman of the Membership Campaign in the local area, has two teams known as "the jeeps" and "the peeps," now hard at work, and he predicts that at the close of March another eight or ten new members will be presented.

President Miller Visits Twin City Credit Assns.

St. Paul: The St. Paul Association of Credit Men had as its guest National President Paul W. Miller of Atlanta at the annual St. Valentine's party. This annual frolic and the extra attraction of a visit by the National President drew a crowd of more than 200 members—wives and guests.

The St. Paul and Minneapolis Boards of Directors held another joint meeting and dinner which was attended by all except one member of both boards. Mutual problems were discussed in detail with particular reference to a collective effort in legislative matters in anticipation of the State legislature in 1945.

Visits at Minneapolis

Minneapolis: Paul W. Miller, National President, N.A.C.M., spent Wednesday, Feb. 16, with the Minneapolis Association of Credit Men. A special luncheon was held in his honor which was attended by all of the officers and directors, past presidents and committee chairmen. President Miller gave a very interesting talk on the affairs of the National Association, and some of the problems now faced by the Credit Men's organization.

A class of 20 in the basic course on Credits and Collections is again under way under the instruction of John McGrath.

Ralph Carney, Vice-President of the Coleman Lamp & Stove Company, who was a speaker at the St. Louis Credit Congress, spoke at the last membership meeting of the Minneapolis Association, more than 300 being present to hear Mr. Carney.

Portland Credit Men Mourn Death of First Association Prexy

Portland: The Portland Association of Credit Men regrets to announce the recent death of F. S. Wasserman, Assistant Secretary-Treasurer of Blake, Moffitt & Towne of this city.

Mr. Wasserman was the first president of The Adjustment Bureau, having been elected to the office June 18, 1913. He served the credit fraternity for thirty years. Much of Oregon's legislative program improving credit conditions is attributed to Mr. Wasserman's efforts.

20 Past Presidents Greet President Miller at Omaha Conference



Top Row, Left to Right: E. B. Anderson, '27-'28; E. K. Cochran, '31-'32; H. R. Burke, '38-'39; W. H. Johnson, '34-'35; O. H. Elliot, '35-'36; H. E. Storm, '30-'31; A. C. Walstrom, '41-'42; J. T. Brammann, '29-'30; P. J. Gilligan, '26-'27; D. H. Baldwin, '36-'37; C. R. Moore, '40-'41; R. D. Wilson, '15-'16; E. P. Trussell, '25-'26; G. O. Gill, '39-'40. Bottom Row, Left to Right: C. F. Brinkman, '20-'23; L. B. Bush, '28-'29; J. T. Cunningham, '24-'25; B. W. Stauffacher, President, '43-'44; Paul W. Miller, National President, '43-'44; Gus Horn, Executive Manager, Omaha Association of Credit Men, Past President, '23-'24. R. P. Robinson, '19-'20; H. C. Zimmerman, '42-'43. Note: These are all former presidents excepting B. W. Stauffacher, now President, The Omaha Association of Credit Men, and Paul W. Miller, now President of the National Association of Credit Men.

One of the top officials of McKesson & Robbins, Inc., has the following to say regarding the financial statements prepared and sold by the National Association of Credit Men:

"The financial statement prepared by the National Association of Credit Men is most conclusive and should be given publicity among schools of business and other colleges that are teaching accounting so their students will become familiar with the type of financial statement required by business concerns."

It is suggested that local Associations take this matter up with business colleges and other schools of commerce so as to publicize N.A.C.M. financial forms to the end that they may become standard in business.

Brace Bennitt Writes Of Trustee Experiences

One of the feature articles in the January issue of the *Journal of the National Association of Referees in Bankruptcy* was written by Brace Bennitt, now Secretary-Manager of the Minneapolis Association of Credit Men and of Associated Creditors, Inc., and who was formerly Washington representative of the National Association of Credit Men. The article deals with the problem faced by trustees in disposing of inventory in bankruptcy cases, Mr. Bennitt's thesis being in favor of private sales as against auction sales wherever possible. He recounts some of his experiences as trustee in bankruptcy cases and shows how private sales have proven more satisfactory than public auctions.

Spokane to Be Host to Northwestern "C" Men on March 21-22

Spokane: The Spokane Association of Credit Men will be host on March 21 and 22 to the conference of the Credit Men's Associations of the Pacific Northwest. The conference will be held at the Davenport Hotel. T. F. Meeds, of McClintock-Trunkay Company, is Conference Chairman.

The first day will be devoted entirely to industry meetings, the banquet being held on the night of March 21. Several important speakers have been obtained for the second day's meeting.

President Paul W. Miller of N.A.C.M. and David A. Weir, Assistant Executive Manager, will speak at the second day meeting.

The Pacific Northwest Conference is one of the more important gatherings of credit men and always draws a large attendance, and it is expected that the attendance this year will even set a new record.

LACMA Women Are Hosts at Luncheon

Los Angeles: The regular monthly luncheon of the Los Angeles Credit Men's Association held at the Biltmore Ballroom on Thursday, Feb. 17, was highlighted by an intensely interesting address given by Mrs. Garnett Gardiner on "Escape from Shanghai." The program was given under the auspices of the Credit Women's Club of the Association.

This meeting was further highlighted by the opening gun in an exciting membership campaign.

Public Utility Men
Start Work War
Congress Program

St. Louis: The Public Utility Group planning committee met in Chicago, February 10th to start work on the program for the industry meeting to be held at the Omaha War Credit Congress. The meeting, which was called by O. J. Vosbrink, group chairman, was attended by credit men from fourteen utilities from various parts of the country, with H. M. West, chairman of the planning committee, presiding.

The tentative program will include talks and discussions on such subjects as "What Should the Public Utility Credit Man Be Thinking About and Planning for at This Time?", "Experiences with Various War-time Changes Made by Utilities." Capable men, specialists in their field, will be obtained to present these subjects.

A new plan has been worked out which will assure every utility credit man attending the meetings that any questions they bring to Omaha about their work will be discussed.

New thoughts and ideas in public relations will be presented by an expert in this field.

The Public Utility Group has consistently improved their program each year and Chairman Vosbrink says the Omaha program will be better than the St. Louis program, which drew a record attendance of seventy-two.

Mrs. Casalett Resigns
Post as Secretary of
Utica, N. Y., Association

Utica: At the January meeting of the Utica Association of Credit Men, announcement was made of the resignation of the Secretary, Mrs. Helen Switzer Casalett, which had been submitted at a meeting of the Board of Directors.

The speaker of the dinner meeting was J. Davis Romine of the Division of Commerce of New York State, who told of the assistance that department is rendering business at the present time and he outlined plans for the future. Samuel D. Higginbottom, manager of the Utica office of the Smaller War Plants organization, spoke briefly on the cooperation between his office and industry.

It was announced by Edwin C. Fisher, Program Chairman, that William Lane, Treasurer of the American Screw Co., Inc., of Providence, R. I., would be the speaker at the annual joint meeting with the Utica Chapter of the National Association of Cost Accountants on March 13th.

Director's Mother Dies

St. Louis: Mrs. Catherine Cowgill, mother of National Director Chester C. Heitman, of Fort Worth, Texas, died here on February 14th and was buried from the Leidner Chapel on February 17th.

Utica: The spring planning meeting of the Tri-State District No. 2 will be held here on April 15. At this meeting the Councillors decide on the choice for representatives on the National Nominations Committee from the Second District.

Harry W. Voss Is
Honored on 10th
Year at Cincinnati

Cincinnati: The Credit Credo Club of the Cincinnati Association of Credit Men at its luncheon meeting on February 15th took special notice of the tenth anniversary of Harry W. Voss as Secretary-Manager of the Cincinnati Association of Credit Men. Mr. Voss was extolled by officers of the Association and presented with mementos of his anniversary.

Mr. Voss started his credit work in 1916 when he became Manager of the Evansville Association of Credit Men. In 1927 he became Manager of the Estate Department of Toledo Association and then became Manager of the Cincinnati Association in 1934.


Miss Porter Writes
Of Credit as a Career

In the January issue of *International Altrusan* appears an article written by Miss Annie Porter, a director of the National Association of Credit Men and Secretary and Treasurer of the Santa Fe Builders Supply Company. The article was headed "A Career in Credit Management." Miss Porter held out an interesting opportunity to women in the field of credit management.

Minneapolis: The Minneapolis Wholesale Credit Women have enjoyed two prominent speakers at their recent meetings. York Langton was guest speaker at the January meeting—his subject, "Permanent Peace Through United Nations." Mr. Langton is a member of the United Nations Committee of the Foreign Policy Association and a member of Toastmasters. Dr. Sabina Hirsch, Research Chemist at Cargill, Inc., spoke at the February meeting on "The Lesson Germany Has to Learn." Dr. Hirsch is a native of Vienna and her subject was one of interest to all. Miss Blanche Scanlon, President of the club, presided, with the program in charge of Miss Florence Armstrong.

Milwaukee: Regular monthly meeting was held at the John Ernst Cafe, Tuesday, February 15. Thirty-one members and guests attended. Phil A. Grau, Station WEMP commentator, addressed the group in a very interesting and entertaining manner. A joint meeting of the Milwaukee-Chicago groups will be held March 18 and 19; general gathering in the afternoon. Dinner, Saturday evening, with K. E. Haagensen, Milwaukee Association of Commerce, as speaker, and a Sunday Brunch. The meeting is planned at the Hotel Plankinton, Milwaukee.

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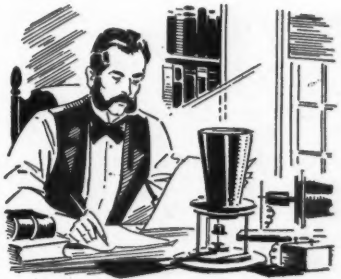
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Los Angeles Credit Organizations Merged



Signing of the merger papers which united the Los Angeles Wholesalers Board of Trade and the Los Angeles Credit Men's Association under the title of Los Angeles Credit Managers' Association. Left to right: Wm. A. Taylor, Past President, Los Angeles Credit Men's Association; R. M. Murchison, President, Los Angeles Credit Men's Association; N. S. Davis, President, Los Angeles Wholesalers Board of Trade; C. A. Breckenridge, Past President, Los Angeles Wholesalers Board of Trade. Standing: A. D. Johnson, Secretary-Manager, Los Angeles Credit Managers' Association.

(Continued from page 31)

between the Board and the Los Angeles Credit Men's Association, and in April, 1926, it was taken over by the credit men entirely.

The Los Angeles Credit Men's Association was chartered in November, 1901, and was one of the first to sponsor credit education and to offer classes in credits and collections. This was done in cooperation with the University of Southern California. In January, 1922, a collection department was installed and has been since operated with marked success.

In 1927 a Women's Division of the Los Angeles Association was organized under the leadership of Miss Florence Banks and has since developed into one of the most progressive women's clubs in the National Association.

The No. 1 Herd of the Royal Order of Zebras was sponsored by the Los Angeles Association. It was organized at the time of the Seattle Convention in 1928, and it became a national figure in 1934 when Los Angeles was host to the National Convention. The Zebras played such an important part in the convention activities that other Associations followed the pattern set by the Los Angeles credit men and organized Zebra Herds. Participation in this organization is limited to those who obtain new members each year for their local Credit Men's organization.

The Los Angeles Association, during its long life, has had one National President,

F. B. McComas, 1918-19. Three members from Los Angeles have been National Vice-Presidents. They were Newman Es-sick, J. M. Rust and R. W. Watson. Fred J. Carpenter is at present National Director from the Los Angeles Association.

After the sudden death of S. P. Chase in May of 1943, A. D. Johnson, who had been Secretary of the Board of Trade, was released by the Board to take over the position of Secretary-Manager. This started the general idea of merging the two organizations entirely. The new constitution and by-laws have been worked out, and the two organizations are now operating under the name of the Los Angeles Credit Manager Association.

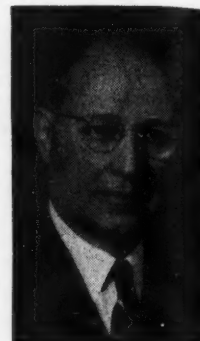
100 Attend Course on Insurance Essentials

Chicago: More than 100 credit executives enrolled in the course in Insurance sponsored by the Educational and Insurance Committees of The Chicago Association of Credit Men. The course opened Monday evening, Jan. 31, and continued for five successive Monday evenings. The speakers, leading Insurance Executives of Chicago, spoke on subjects pertaining to fire, casualty and surety insurance.

The course closes Monday evening, March 6, with a dinner meeting followed by an inspection of the Underwriters Laboratories in Chicago, the largest laboratory of its kind in the world.

Harvey T. Hill Resigns C.A.C.M. Post to Head Diesel Engine Assn.

Chicago: Harvey T. Hill, secretary-manager of The Chicago Association of Credit Men, has resigned to become executive director of the Diesel Engine Manufacturers Association, effective Feb. 16. This is a national association and the headquarters will be located in Chicago. G. H. Nippert, The Procter



and Gamble Distributing Company, President of the Association, appointed James S. Cox, Assistant to the Secretary, as Acting Secretary which appointment was approved by the Board of Directors. A committee was appointed to investigate applicants for the position and to make recommendations to the president.

Mr. Hill is a graduate of Pennsylvania State College and the University of Chicago. In 1916 he became associated with the Chicago Association of Commerce and was then elected Secretary of the Illinois Chamber of Commerce, which organization he served for several years. He then became Executive Vice-president of the Chicago Stock Exchange and later Secretary-Manager of The Chicago Association of Credit Men. In the summer of 1942 at the request of Donald M. Nelson, head of the War Production Board, Mr. Hill was given a leave of absence to take over the Salvage Program to supply the steel mills with scrap. His territory covered the Northern part of Illinois, Indiana, Iowa and Wisconsin.

Chicagoans Hear Talk on Trade in China After War

Chicago: G. H. Nippert, The Procter and Gamble Distributing Company, President of The Chicago Association of Credit Men, announced the annual ladies' night dinner of the Association under the auspices of the Foreign Trade Division of which J. C. Hajduk, Victor Chemical Works, is chairman.

The dinner was held Thursday evening, Feb. 24, in the Merchants and Manufacturers Club in the Merchandise Mart.

"America's Role in China" was presented by John F. Stevens, Jr., of New York, staff member of the China-American Council of Commerce and Industry. He discussed particularly post-war reconstruction and industrial development.

"China's Role—War and Post-War," was presented by A. C. Wang, Chancellor of the Chinese Consulate-General of the Republic of China in Chicago.

1200 Attend Dinner of N. Y. Association; Gov. Baldwin Speaks

New York: The largest crowd ever to attend an annual banquet of the New York Credit Men's Association was on hand at the Waldorf-Astoria on Feb. 8, where they listened to an address by Governor Raymond E. Baldwin, of Connecticut. More than 1200 persons were on hand for the dinner this year which was held in the largest ballroom at this spacious hotel. Tables were required to be set in the three balconies as well as the main floor.

National President Paul W. Miller made a special trip to New York to attend the New York dinner. After a short address in which he outlined a portion of the program of N.A.C.M. for this year, he returned by plane to Atlanta.

The dinner was presided over by Nash Eldridge, president of the New York Association who took occasion to introduce E. N. Felio, Colgate-Palmolive-Peet Company, the Vice-President of the New York Association, who is serving as chairman of the Membership Committee this year. President Eldridge introduced Mr. Felio and members of his committee as a token of thanks by the Association for 50 new members having been obtained each month for the four months previous to the annual banquet.

Governor Baldwin in his address stressed the need for closer cooperation between the States and the Federal Government in the post-war period. Governor Baldwin pointed to the important part played by industry in Connecticut in war production work and outlined some of the plans his State has made for conversion to peacetime production.

Chicago Exporters Join Trade Confab

Chicago: The Foreign Trade Division of The Chicago Association of Credit Men was well represented at the Chicago World Trade Conference held at the La Salle Hotel, Monday, Feb. 14, sponsored by the Export Managers Club of Chicago and the Chicago Association of Commerce. The theme of the conference was post-war foreign trade planning. J. C. Hajduk, Victor Chemical Works, Chairman of the Foreign Trade Division of The Chicago Association of Credit Men, was a member of the Reception Committee.

The Chicago delegation was joined by Philip J. Gray of New York, Manager of the Foreign Credit Interchange Bureau of the Foreign Department of the National Association of Credit Men.

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Don Neiman Feted at Des Moines on 25th Anniversary



Des Moines: At a meeting held at Younkers' Tea Room in Des Moines, Iowa, Feb. 15, 1944, the Retail Credit Men's Association joined the National Association of Credit Men, Central Iowa Unit, in paying tribute to Don E. Neiman who this month celebrates his 25th anniversary as Secretary of the Association.

Mr. Neiman was the principal speaker of the evening, his subject being "The Promise of the Future."

Dave Bolen, Credit Manager for Younkers', also a Past President of the National Retail Credit Men's Association, acted as toastmaster.

L. R. Pearce, Credit Manager for the Frankel Clothing Co., gave a toast in behalf of the Retail Credit Men's Association.

Wm. H. Schmidt, Credit Manager of the Pittsburgh Plate Glass Co., gave a toast in behalf of the Des Moines Credit Men's Association.

Each Association, as well as his office staff, presented Mr. Neiman with a gift.

Frederick H. Schrop of the National Office of New York was a guest. He complimented Mr. Neiman in behalf of the National.

Other out-of-town guests were:

Emerson Jones, of the Continental Oil Co. of Lincoln, Neb., National Director of the Tri-State Conference Group of Iowa, Neb. and S. D.

Gus Horn, Secretary of the Omaha Assn.

Milo Hanzlik, Secretary of the Cedar Rapids Assn.

Glen Mowbray, Credit Mgr. for Welch-Cook-Beals Co. of Cedar Rapids, Iowa.

Harley Johnson, Credit Mgr. of Tobin Packing Co., of Fort Dodge, Iowa.

Mr. Neiman was particularly complimented for having secured the passage of the Par-clearance Check Bill in Iowa last year, Iowa being the first State in the Union to have such a law enforced.

Final Drive for New Members is On for March, April

(Continued from page 31)

"In order to maintain efficient help, and insure continued efficient operation and render services we have enjoyed from our local Credit Associations, the Board of Directors of the National Association of Credit Men has asked for a 10 per cent increase in membership for this fiscal year.

"This job must be done—If every Credit Woman will sell one new membership for her local Credit Association—IT CAN BE DONE. When we attend the Convention in Omaha in May, let our report show that our Credit Women put this membership drive over the top.

"I would like to tell you about our membership drive in Detroit. It is called the Battle of the Sexes, and a battle it is. So far we have secured over 100 members, and our Credit Women have secured one-third of them. We plan to reach our goal of 150 members by early April. With this splendid cooperation on the part of credit women and credit men, we have taken the Detroit Association of Credit Men out of ninth place and up to first place in National Membership Drive. We are proud of this record, and our Association is proud of its membership enthusiasm.

"Our slogan is—'More and More in Forty-Four.'

"We have found in selling memberships, that our greatest selling point is in knowing our association, and the many excellent services rendered to our companies. When you are sold on your local credit association, selling memberships is a very easy job. Contact the Secretary-Manager of your local Association, and tell him your credit women want to join the march of memberships. Your help is needed!"

Chicagoans to Hold Annual Election of Officers on April 19

Chicago: The Annual Meeting of The Chicago Association of Credit Men will be held Wednesday evening, April 19, in the Merchants and Manufacturers Club in the Merchandise Mart. A speaker of National reputation will discuss present-day credit problems. The members of the Association will receive the annual report from President G. H. Nippert, The Procter and Gamble Distributing Company. The annual election of officers will take place and the following committee on nominations has been appointed by President Nippert: C. G. Lueders (Chairman), Sunnyside Oil Company; H. M. Driscoll, National Boulevard Bank; Oscar Iber, O. Iber Company; F. H. Miller, The Best Foods, Inc., and G. B. Sturtz, Joslyn Manufacturing and Supply Company.

Renegotiation Amendments Are Passed With New Tax Law

When the last vote was registered on the proposal to override President Roosevelt's veto, and the bill was certified by the Secretary of the Senate, the now-famous Tax Bill became the law of the land. Besides setting up a new schedule of excise taxes and some changes on the tax rates for individuals and companies, this law provides for amendments to the Renegotiation Act, which will have far-reaching effect on industry during the balance of 1944.

Among the features of this portion of the Tax Bill which affect general Renegotiation procedure may be mentioned the following:

War contractors may now appeal to the Tax Court when they are not in agreement with the renegotiation proposals made by the Treasury Department. Under this change in the law, the appeal to the Tax Court becomes a new hearing, and the contractor is enabled to present his arguments as well as those of the Treasury Department. Under the old law a war contractor was forced to accept the determination of the Treasury Department as to how much of his profit on a war contract was to be recaptured by the Government.

Help for the Renegotiated

ANOTHER feature of this section of the Renegotiation amendment is that those war contractors who have already been Renegotiated may appeal to the Tax Court for a rehearing if the determination was made entirely by the Treasury Department over the protest of the war contractor. In other words, the revised law makes it possible for the war contractor to have a hearing by a disinterested party—the Tax Court—and the Treasury cannot arbitrarily declare how much of his profit shall be returned. It was on this feature of the Renegotiation amendment that the Treasury Department and the

White House presented such strong opposition to the Bill.

Renegotiation of war contracts will terminate on December 31, 1944, or earlier than that date or six months later than that date at the discretion and decision of the President. Even though the war should continue into 1945, the Treasury will not be enabled to continue renegotiation beyond the first of July of next year. The argument by the Congress committees, which insisted on a definite termination of the Renegotiation Law, was that the war contracting agencies have now had plenty of experience for determining a definite contract price, and they are not pushed for time in entering into the contracts as they were during the first few months of the war.

Renegotiation Before Taxes

ONE point which was urged by industry was that war contractors should be permitted to figure their income tax bill first before being put through the renegotiation process. This, however, was denied by the members of the Congressional committees. The proposal to permit proper reserves for reconversion from war contracts to peacetime production also was taken out in the last draft of the bill.

Another point on which industry lost its battle for relief was on the point of more clearly defining the status of subcontractors and material suppliers. The definition of a subcontractor remains as in the original law, and the only exemption for subcontractors is in the case of those supplying office equipment to war contractors. The proposal to exempt subcontractors supplying standard merchandise was voted down in conference between the Senate and the House so that industry lost out entirely on this important point.

However, industry did not lose all of the points for which it pressed. Under the revised law deductions for

administration of war production facilities must now be considered more by negotiators, and this clause is retroactive to the beginning of the Renegotiation Statute.

Inventory Profits Exempted

ANOTHER point on which industry won a victory is that of exempting profit on inventories from renegotiation. Thus, for example, if a war contractor or subcontractor finds that when his contract is terminated he has an excess of materials which were purchased for war production contracts on hand, and he is able to sell these inventories at a profit, he is not to be penalized for this foresight in preparing his production schedule.

The Senate, when it passed the Renegotiation Act, had inserted a provision requiring Price Adjustment Boards to consider the problems in connection with reconversion and the profits remaining after estimated federal taxes. However, this clause was eliminated by the conferees.

The House also had separated the two main functions of renegotiation, the recapture of excessive profits and the obtaining of lower prices for the future. The Senate, however, made the re-pricing power a separate authority. All of this concession was eliminated in the bill as presented by the conferees and passed by the Senate and House.

John Stagmaier Mourned

Chattanooga: Members of the Chattanooga Association of Credit Men mourned the death of Mr. John Stagmaier on February 15th. Mr. Stagmaier was instrumental in organizing the Adjustment Bureaus in the Chattanooga Association in January, 1913, and was elected its first President. He held the title of President of the Adjustment Bureau until December 30, 1941, when he resigned and became a member of the Board of Directors of the Chattanooga Association. He was founder and President of the Grand Paper Mills and was recognized as one of Chattanooga's outstanding industrialists and civic leaders.